Annual Report and Consolidated Financial Statements

VMED O2 UK Limited
For the Year Ended 31 December 2023

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Forward-looking Statements

VMED O2 UK Limited is a wholly owned subsidiary of VMED O2 UK Limited, a joint venture (**JV**) of Liberty Global Limited (**Liberty Global**) and Telefónica, SA (**Telefónica**), both referred to as "Shareholders".

In this Annual Report (**Annual Report**), the terms "we," "our," "us", "Group", VMED O2 and Virgin Media O2 refer to VMED O2 UK Limited and its subsidiaries. Reference to "the Company" is VMED O2 UK Limited.

Certain statements in this Annual Report constitute forward-looking statements. To the extent that statements in this Annual Report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under Financial Review may contain forward-looking statements, including statements regarding VMED O2's business, product, foreign currency and finance strategies in future periods, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of VMED O2's markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in VMED O2's revenue, costs or growth rates, liquidity, credit risks, foreign currency risks, target leverage levels, VMED O2's future projected contractual commitments and cash flows and other information and statements that are not historical fact.

Where, in any forward-looking statement, VMED O2 expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved. In evaluating these statements, you should consider the risks and uncertainties discussed under the "Principal Risks and Uncertainties" section within this Annual Report.

2023 Highlights

Financial Highlights

Revenue

£10,912.7 million +5.3%

FY 2023	£10,912.7 million
FY 2022	£10,360.0 million

Adjusted Free Cash Flow (AFCF)[1]

£722.1 million +8.4%

FY 2023	£722.1 million
FY 2022	£666.1 million

Transaction Adjusted Revenue[1]

£10,923.2 million +5.2%

FY 2023	£10,923.2 million
FY 2022	£10,381.9 million

Net Senior Debt to Annualised Adjusted EBITDA[1]

3.35x +0.08x

FY 2023	3.35x
FY 2022	3.27x

Adjusted EBITDA[1]

£4,096.0 million +4.2%

FY 2023	£4,096.0 million
FY 2022	£3,931.6 million

Net Total Debt to Annualised Adjusted EBITDA[1]

3.64x +0.07x

FY 2023	3.64x
FY 2022	3.57x

Transaction Adjusted EBITDA[1]

£4,102.3 million +5.0%

FY 2023	£4,102.3 million
FY 2022	£3,905.4 million

Property and Equipment (P&E) additions[1]

£1,993.4 million (3.3)%

FY 2023	£1,993.4 million
FY 2022	£2,061.3 million

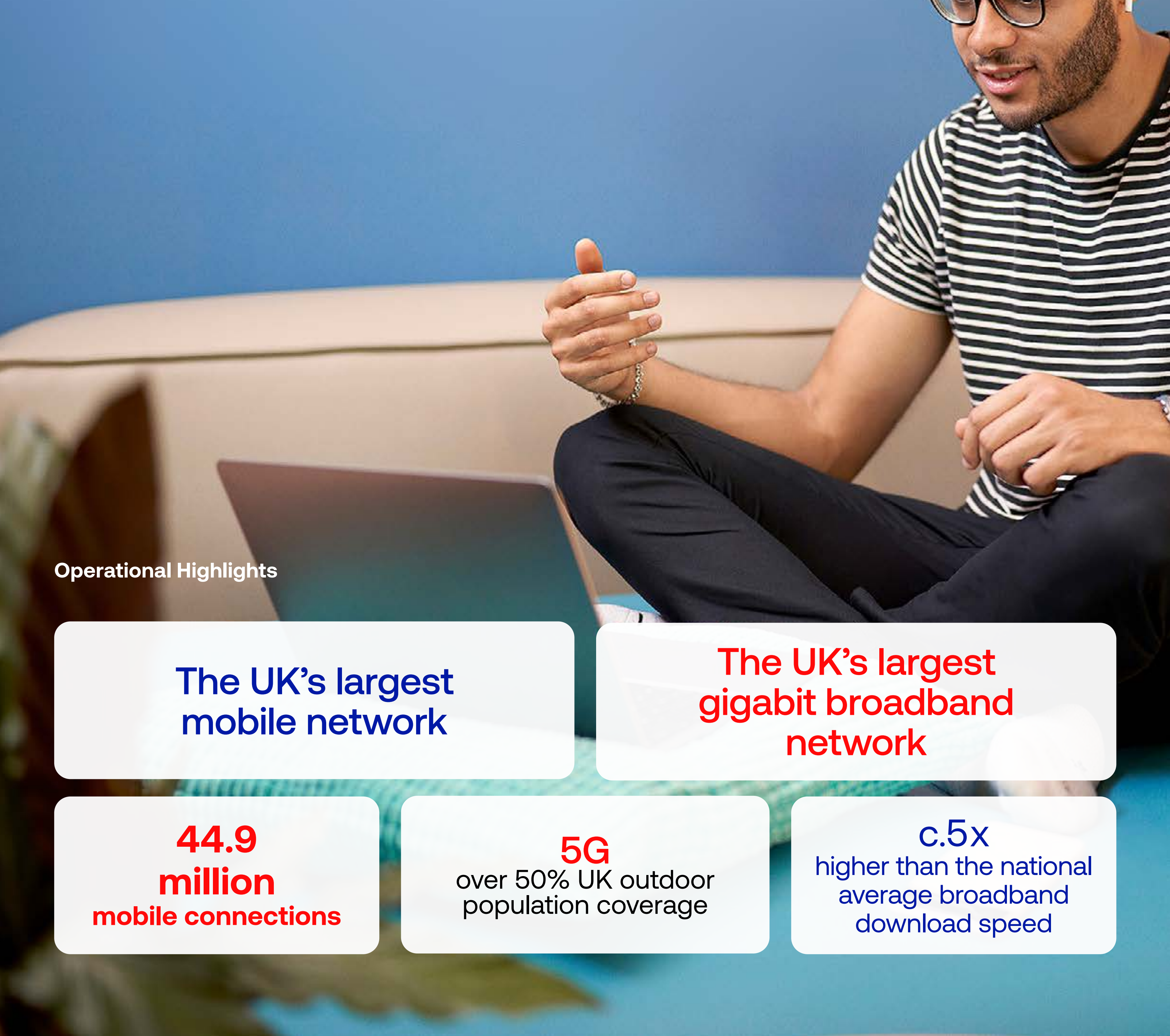
"I am proud of what we achieved in 2023, as we continued to progress as the scale challenger in the UK. We delivered in line with our revised guidance despite the tough macroeconomic backdrop."

Lutz Schüler
CEO of Virgin Media O2

1 The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 33 of the Notes to the Consolidated Financial Statements.

2023 HIGHLIGHTS CONTINUED

In 2023 we accelerated synergy execution and continued **commercial momentum** with fixed and mobile customer growth, while sustaining key **customer-first initiatives**. Our networks evolved at pace, **rolling out fibre faster than ever** before and covering over half of the UK outdoor population with our 5G network.



Operational Highlights

The UK's largest mobile network

The UK's largest gigabit broadband network

44.9 million
mobile connections

5G
over 50% UK outdoor population coverage

c.5x
higher than the national average broadband download speed

Strategic Report

Chief Executive Officer's Message

In 2023 we accelerated our integration as Virgin Media O2 to position ourselves as the scale challenger in the UK telecoms market.

Lutz Schüler
CEO of Virgin Media O2

In 2023 we continued to progress against our strategy, and despite the tough macroeconomic backdrop, I'm proud of what we achieved.

Our team has remained focused and worked tirelessly to deliver against our core strategy and priorities throughout the year, while sustaining key customer-first initiatives and providing support to consumers during the cost-of-living crisis through a range of proactive measures.

The demand for connectivity in and out of the home is still clear, with 2023 seeing increased usage and customer growth across our fixed and mobile bases and the continued delivery of a suite of connected services to business, the public sector and other operators through our wholesale partnerships.

We invested another £2 billion in our networks and services, with 2023 being the fastest year of fibre rollout as our fibre footprint reached over 4 million premises. In aggregate, our fully gigabit serviceable footprint reaches over half of all UK homes, as we increased our homes serviceable faster than ever before with 833,100 new premises. We also made strategic progress with the fixed network, together with nexfibre we acquired alternative fibre network (**Altnet**), Upp Corporation Limited (**Upp**), which will result in a footprint expansion of around 175,000 premises in the East of England following the completion of integration work and build which is progressing well.

On the mobile side we continue to evolve the network to meet our customers needs, achieving our target of reaching 50% of the UK outdoor population with 5G, while investing in increasing the capacity of our 4G network. We're also making significant progress in fulfilling our commitments to the Shared Rural Network initiative, bringing improved mobile connectivity to help tackle the rural-urban digital divide.

After more than two and a half years since the Joint Venture formed, integration activity is progressing strongly, highlighted by the fact we significantly exceeded our year-end target to hit 50% of the total £540 million run rate synergies goal.

Driving convergence has remained a major focus, with 1.9 million customers now taking one of our Volt bundles – which provide additional benefits and boosts to those taking a fixed and mobile product from us. Our data shows that these customers are more satisfied and less likely to churn versus customers who only take a single product.

Looking at the topline, full year Transaction Adjusted Revenue[1] increased 5.2% year-on-year, excluding the impact of our role in delivering nexfibre construction[2], Transaction Adjusted Revenue decreased 0.2%. This picture is made up of a few factors – in mobile, service revenue growth was partly offset by lower handset revenue; in consumer fixed, revenue decreased due to household spend being optimised across mid-tier TV packages and home phone which offset a growing price rise benefit; and in Business-to-Business (**B2B**), fixed pricing headwinds contributed to an overall decrease.

At a Transaction Adjusted EBITDA[1] level we grew 5.0% year-on-year, 3.7% excluding the year-on-year impact of nexfibre construction[2] and before costs to capture (**CTC**). The key drivers of growth were the realisation of synergies, consumer price rises, and cost efficiencies, partially offset by inflationary pressures including energy costs as well as some one-off factors.

We ended the year with stable revenues in line with our revised guidance at Q3, Transaction Adjusted EBITDA[1] was at the low end of our mid-single-digit growth guidance, both excluding the impact of nexfibre construction, through accelerated synergy execution which offset the impacts of consumer spend optimisation.

Looking ahead, the 2024 outlook will be impacted by incremental investment in key initiatives to drive future growth, including increased marketing across our rapidly expanding fixed footprint, new commercial initiatives, and wider digital and IT efficiency programmes. We remain focused on delivering against our core strategy and these key investments will help us to lay down strong foundations for future success.

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2 nexfibre is a joint venture between our shareholders, Liberty Global and Telefónica, and InfraVia Capital Partners, building a FTTH network of 5 to 7 million premises not covered by our existing network. We will be anchor wholesale client of nexfibre, in addition to providing a range of construction and other services to nexfibre.

Who We Are

We are a customer-first organisation that brings a range of connectivity services together in one place with a clear mission: to upgrade the UK.

What we do

Virgin Media O2 combines the UK's largest mobile network, and the largest gigabit broadband network. This provides customers with award-winning broadband, digital TV, B2B services and home phone as well as a mobile network providing 2G, 3G, 4G and 5G services to consumers, Mobile Virtual Network Operator (**MVNO**) partners, businesses and public sector organisations.

We are the scale challenger in UK telecoms and a key enabler of the UK's digital future.

Consumer products and services:

- **Broadband**
- **TV**
- **Home phone**
- **Mobile connectivity**
- **Devices**
- **Converged bundles**

Business and Wholesale products and services:

- **Converged fixed and mobile connectivity**
- **Mobility**
- **Security**
- **Cloud**
- **Data and analytics**
- **Fibre-To-The-Premises (FTTP) build for nexfibre**

WHO WE ARE CONTINUED

Our resources

The largest gigabit fixed network in the UK, with an expanding serviceable footprint through nexfibre FTTP rollout
Our entire fixed network offers gigabit speeds, as nexfibre FTTP grows our footprint to 17.0 million homes serviceable as at 31 December 2023.

The largest mobile operator in the UK serving 44.9 million connections, with our 5G network covering over 50% of UK outdoor population
Scale in different market segments through our own brands and MVNOs, utilising data insights to support customer experience.

Spectrum assets enabling high quality customer experience
Significant holding of permanent spectrum licences and mobile infrastructure assets provides us with control over improvements in network capacity, performance and reliability, cost effective delivery and national network provisioning to wholesale customers.

Continued capital investment to support growth, £2.0 billion P&E additions[1] in 2023, expected £2.0 to £2.2 billion guided for 2024
Investment in evolving our networks to future proof speed and reliability, enhancing our digital capability enabling innovative propositions.

A portfolio of brands and partnerships providing the foundations on which to develop further
Our ability to meet customer demand through a combination of our Virgin Media, O2 and giffgaff brands and partnerships across content, value-added services and distribution.

15,700 diverse, experienced and knowledgeable people encompassing a 'can do' approach
Deep understanding in the evolution of both fixed and mobile telecoms, with a growing digital natives mindset. Our culture embeds a customer-first approach.

Management team with extensive experience in successfully leading companies at scale
Executives with a proven track-record in delivering both business and corporate strategy at scale motivating large organisations; innovative product development; implementing an adaptable target operating model; effective resource allocation and maintaining a robust balance sheet to support growth.

Shareholders with global scale and experience of value creation
Both Liberty Global and Telefónica have extensive experience in meeting and exceeding merger synergy targets, are pioneers in building stronger networks via alternative network deployment, and provide operations scale including procurement.

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WHO WE ARE CONTINUED

How we create value

Customers	People	Suppliers	Investors	Society	Environment
Largest UK mobile network: 44.9 million mobile connections	Major UK employer with 15,700 employees	Leveraging the scale of Virgin Media O2 and our shareholders purchasing power	Financial scale: Transaction Adjusted Revenue[1] £10,923.2 million	Equip 6 million with digital skills by 2025	Committed to achieving net zero carbon emissions across our value chain by 2040
Strong fixed uptake: 34% fixed-line penetration	Investing in skills for the future through award winning apprenticeship and graduate schemes	Collaboration on environmental, social and governance activities	Strong profitability: Transaction Adjusted EBITDA[1] £4,102.3 million	Connect 1 million digitally excluded people by 2025	Reduce Scope 1 and 2 emissions 60% by 2025
Growing lead convergence proposition: 1.9 million Volt customers	Organisational structure that is scaled and focused on the customer customers	Suppliers committed to our code of conduct	Delivering shareholder returns: Adjusted Free Cash Flow (**AFCF**)[1] £722.1 million Shareholder cash distributions £2.0 billion	Reducing the digital divide through growing gigabit footprint and Shared Rural Network	Empower customers to prevent 10 million tonnes of CO_2 by 2025

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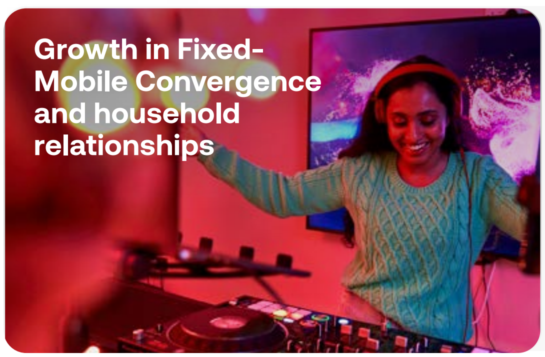
Key Trends That Influence Us

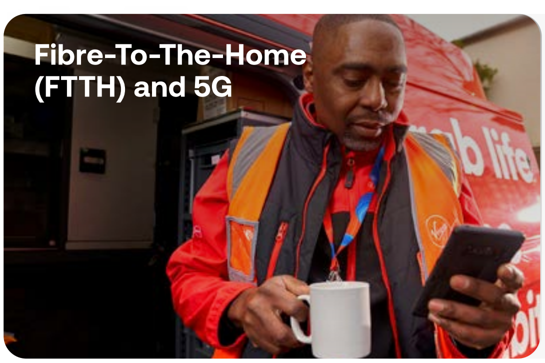
We operate in a continually evolving environment, and by staying informed on crucial trends, we can seize opportunities and address potential challenges.

Price discounting in the market, notably from fixed alternative networks and MVNOs remain, however annual price increases now the norm across fixed and mobile supporting investment in UK connectivity.



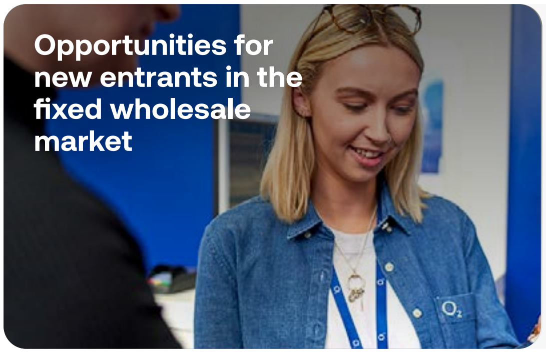
Growing demand for bundled household connectivity and services puts us in a strong position to be the UK converged champion and household supplier of choice, providing mobile, broadband and pay-TV with high-value customer experience and innovative propositions.

Telecoms have remained adaptable supported by demand for fast and reliable connectivity, however the increased cost-of-living is influencing household decisions. Inflation has further impacted costs for businesses, including our own, notably energy costs.



FTTH and 5G technologies enabling faster and more reliable broadband and mobile services across a larger footprint. Next generation connectivity also opens up new revenue streams such as advanced Internet of Things (**IoT**), telemedicine and remote working solutions.

KEY TRENDS THAT INFLUENCE US CONTINUED

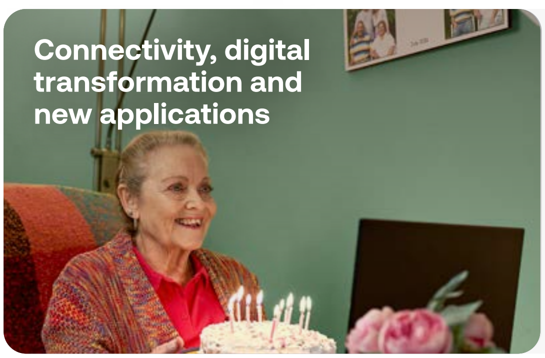


Opportunities for new entrants in the fixed wholesale market

Higher demand by operators for high-speed broadband coverage, coupled with significant investment in FTTH, including from nexfibre and our own fibre upgrade, creates increased challenge to the incumbent in becoming a major wholesale supplier increasing network utilisation.

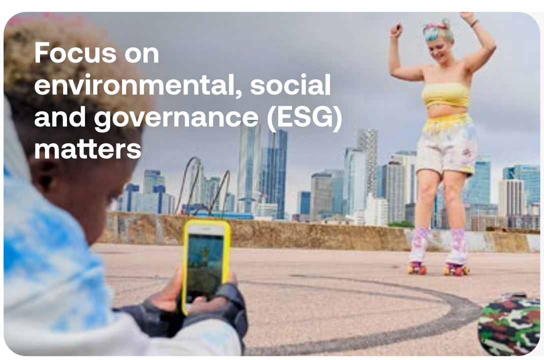
Consolidation of alternative fibre networks

Factors including an increasing cost of capital and relatively low penetration rates driving increasing challenges for Altnets, has led to some market consolidation in 2023, with further likely.



Connectivity, digital transformation and new applications

Increasing reliance on technology for communication and collaboration, improved efficiency and the rise of remote work, mean businesses require dependable, high-speed networks to support their business operations. The telecoms industry is key to serve this growing demand.



Focus on environmental, social and governance (ESG) matters

Stakeholders; including customers, colleagues, suppliers and investors, more than ever urge businesses to act sustainability and behave responsibly.

Our Group Strategy

Our distinctive value creation potential comes from the opportunity to ride three waves of growth: integration, digitalisation and network evolution, while improving commercial momentum and efficiency across the business.

Our growth waves

01 Integration

Targeting annual run-rate synergies of £540 million five years post Joint Venture

Revenue synergies including leveraging cross-selling opportunities supported by our consumer converged proposition “Volt”, along with an improved B2B offering.

Significant opex synergies are driven by the completed migration of Virgin Media’s network traffic to the O2 network, migration of mobile backhaul to our own fixed network from other fixed networks, marketing synergies, scale effects and a structural rightsizing of the combined company.

Capital expenditure (**Capex**) synergies are primarily based on a combination of regional and national network infrastructure and IT systems.

02 Digital Transformation

Changing to a next generation operator

Anchoring customer-centricity in all digitalisation efforts. Excellent customer understanding, improved interactions and greater engagement. Leveraging data and analytics from our strong customer relationships to provide the best products and services.

Digitalising operations, such as transactions and back office systems for efficiency, organisation effectiveness and to deliver best-in-class customer experience.

03 Network Evolution

Expanding our footprint and upgrading our capabilities by providing high-quality connectivity that meets the customer’s needs

Fibre upgrade: upgrading our existing gigabit network to full-fibre to future-proof our network with 10 Gigabit symmetrical passive optical network (**XGS-PON**) technology, capable of 10 gigabits per second (**Gbps**) symmetrical speeds.

nexfibre: a joint venture between our shareholders, Liberty Global and Telefónica with InfraVia Capital Partners, creating a new fibre network in the UK covering up to 7 million additional homes. We will be the anchor wholesale client of nexfibre in addition to providing a range of construction and corporate services. The partnership will initially roll out fibre to 5 million homes by the end of 2026 which are not currently served by Virgin Media O2’s network. Coupled with the Fibre Upgrade, this will enable us to expand our fibre footprint to up to 23 million homes serviceable.

5G rollout: Expanding our 5G mobile network which increases coverage and improves reliability and speed, in addition to unlocking new opportunities notably in business.

OUR GROUP STRATEGY CONTINUED

Acting with a customer-first and can do mentality

BRAVE.
Bold, creative, accountable and innovative – stepping up and speaking out when it counts and taking risks with a can do approach.

REAL.
Honest, authentic, respectful and open – doing what we say we will and putting ourselves in our customers' shoes.

TOGETHER.
Supportive, empathetic, agile and inclusive – celebrating our differences and recognising each other's achievements.

Delivering our Better Connections Plan

Carbon.
We have an ambitious commitment to achieve net-zero carbon across operations, products and supply chain by the end of 2040. Enabling customers to avoid 20 million tonnes of CO_2 and support large-scale decarbonisation by 2025.

Circularity.
Zero waste future: achieve zero waste operations and products by 2025. Enable 10 million circular solutions and actions to help customers tackle electronic waste (**e-waste**) by 2025.

Communities.
Connect 1 million digitally excluded people across the UK by 2025. Engaging in a digital-first society to empower 6 million people with digital skills and the tools to help them by 2025.

Supported by Shareholders with global capabilities

Liberty Global: Liberty Global is a world leader in converged broadband, video and mobile communications services. It delivers next-generation products through advanced fibre and 5G networks. Liberty Global's businesses operate under some of the best-known consumer brands, including Sunrise in Switzerland, Telenet in Belgium, Virgin Media in Ireland, UPC in Slovakia, Virgin Media O2 in the UK and VodafoneZiggo in The Netherlands.

Telefónica: Telefónica is one the largest telecommunications service providers in the world. The company offers fixed and mobile connectivity as well as a wide range of digital services for residential and business customers. With more than 385 million customers, Telefónica operates in Europe and Latin America. Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in New York and Lima.

OUR GROUP STRATEGY CONTINUED

2023 Progress Against Our Strategy

Our growth waves

Integration

Integration continued at pace in 2023, and material further strides were made, with absolute synergy realisation at approximately two thirds of the £540 million run-rate, significantly ahead of target timelines. Synergy drivers include:

i. Increased commercial benefits linked to cross-selling fixed and mobile products in both consumer and business-to-business segments.
ii. Execution of our mobile dual brand strategy, migrating all Virgin Mobile customers over to O2 plans, and launching giffgaff contract plans complementing the prepaid offering.
iii. Mobile backhaul cost savings through utilising our own fixed network rather than third-parties to support our mobile network. There is still more to do and in 2024 further benefits will be achieved.
iv. We announced a multi-million-pound investment to establish a new state-of-the-art UK headquarters in Paddington Central, opening late 2024, sitting alongside our existing modern office in Reading. This enabled us to close our Slough office in 2023, while our Hammersmith office will also close driving a net synergy saving.
v. The JV has enabled us to make significant procurement cost saving in two ways; firstly we have been able to lever our size to benefit from economies of scale, but secondly we have utilised the support of both shareholder procurement teams specialisms. In 2023, we have continued to progress with these benefits supporting both cost savings and avoiding inflationary impacts.

Digital Transformation

Our customer-first strategy, enabled by data, digital and technology enhancements has enabled us to take strides forward with our digitalisation in 2023. We have launch personalised pricing on fixed-line services, optimised implementation of price increases to reduce customer reaction and personalise Virgin Media and O2 cross-sell journeys.

Results have been tangible. Fixed Online Sales increasing 10.2% year-on-year, with Online Mix & Share of Online Market increasing in 2023. In mobile, we are migrating to the high velocity testing platform we already have in place across fixed.

Network Evolution

Our network evolution has continued in 2023, with significant progress made in the three major programmes:

i. Fibre Upgrade - We continued the upgrade of our existing fixed network to FTTP in 2023, with build rate increasing 60% year-on-year.
ii. FTTP rollout for nexfibre - This was the first full year of utilising our network construction experience to provide build services to nexfibre. In 2023, we passed 0.8 million new premises on behalf of nexfibre, in the first full year of construction. In September, fibre Altnet, Upp, was acquired through a partnership between us and nexfibre. We initially purchased the provider and have begun integration and the completion of in-progress build, with nexfibre ultimately funding the acquisition through a back-to-back agreement to buy Upp's network assets, with approximately 175,000 premises to be transferred to nexfibre.
iii. Evolution to 5G - We achieved our target of 50% outdoor 5G population coverage in 2023, with a final position of 51.1%, an increase of 11% compared to the end of 2022. In addition to this we continue to focus on capacity, with around a quarter of UK postcodes seeing a 4G or 5G capacity boost in the year.

Commercial Momentum

Consumer

2023 has been a challenging year for households, as the cost-of-living further increased, with high single-digit inflation rates in the first half of the year. The importance of high quality connectivity in customers lives meant demand for our services was resilient but not immune. We experienced optimisation of household spend in fixed, notably of mid-tier TV and home phone products, as well as a deteriorating performance for low-margin handset revenues. Encouragingly we grew both the fixed and contract mobile customer bases; as we consistently grew mobile service revenues year-on-year, while consumer fixed revenue performance improved in H2 to stabilise year-on-year in Q4. Against this backdrop we have continued to focus on ensuring our products and services meet customer needs.

a) Mobile commercial momentum in 2023

A key focus in mobile has been customer loyalty, through a range of targeted and valuable benefits to customers to keep churn at low levels.

We launched our Roam On campaign in June, highlighting our continued position as the only major mobile network operator (**MNO**) to not charge for European Union (**EU**) roaming, with customers able to use unlimited minutes, unlimited texts and up to 25 Gigabits (**GB**) of data per month for no additional charge. Other loyalty initiatives including O2 Priority, continue to provide significant value for customers.

As part of the integration of Virgin Media and O2, we have moved all Virgin Mobile customers over to O2's range of plans. Upon moving across, customers benefit from unlimited texts and voice calls, and additional data for the same amount of money each month. Migration started in Q1 2023 and completed in Q4 2023.

b) Fixed commercial momentum in 2023

We have continued to focus on utilising our network speed in 2023, with average download speeds of approximately 5x the national average reported by Ofcom. Alongside this we have tried to improve our understanding of the customer to create a personalised approach for our customers. 2023 was another year of growth in the customer base, with 31,300 customers added.

In July, we upgraded our WiFi guarantee to offer its customers minimum download speeds of 30 megabits per second (**Mbps**) in every room of their home or £100 credit back. Previously promising minimum download speeds of 20Mbps, customers can benefit from a boost for the same price, with an enhanced promise of 30Mbps in every room or money back.

OUR GROUP STRATEGY CONTINUED

In November, we trialled an enhanced Smart Security offering, which will provide thousands of its Hub 5 customers with an extra layer of protection for all of their smart home devices at no extra cost. Virgin Media Smart Security protects connected devices – from mobile phones to video doorbells – by actively fending off cyber-attacks such as ransomware or data stealing. The trial will enable thousands of customers to monitor the security across their network and see what's been blocked on their browser.

c) Convergence commercial momentum in 2023

Our leading converged consumer proposition, Volt, ended the year with 1.9 million customers taking a bundle, an increase of over half a million customers in the year. Volt customers show increased loyalty and satisfaction supported by benefits, including a broadband speed boost and double mobile data.

Business and Wholesale

As an organisation, Virgin Media O2 is investing significantly in the UK's connectivity network, technology and services. We are well positioned to offer businesses more choice and flexibility, putting customers at the heart of everything we do. As a committed customer-centric organisation, our dedicated teams focus on delivering a full range of solutions to customers whilst offering an end-to-end customer experience. From broadband, mobile and security to Big Data and IoT, we offer a customer-led approach focusing on delivering measurable outcomes.

Against an environment of increasing costs for the majority of businesses with many looking to rationalise spend where possible, we have continued to focus on solutions that support vital operations and create opportunities for growth, to protect against these challenges in a competitive market.

In 2023 we fully integrated our converged portfolio of products and services leveraging the combined power of our fixed and mobile networks. We continued to innovate in 2023, with several new products and services launched..

In May, we announced our partnership with Telefónica Tech, bolstering our product line-up with a comprehensive range of market-leading cloud and security solutions, alongside network transformation services. Together we can offer cloud and security professional and managed services along with our core networks to enterprises and public sector organisations within the UK.

In August, we were the UK's first telco to launch commercial plug-and-play 5G Standalone (**SA**) Private Network (**PN**): a portable commercial network enabling companies to immediately access 5G connectivity at the flick of a switch, without the time and expense of building an entire network.

Leveraging the rich data provided by our networks, in 2023 we launched our Movers Index, built using aggregated and anonymised UK movement data collected by O2 Motion and polling of businesses and consumers. Published quarterly, the reports highlight key trends and insights into the behaviour of the British public and businesses.

We understand the important role we have in helping our Business customers achieve their ESG goals and initiatives. In October 2023, we launched two new ESG propositions to help support our customers in their sustainability efforts. Our 'Carbon Calculator' aims to provide a clear and trustworthy report on emissions related to their services. Verified by the Carbon Trust, customers can use the information from the calculator to understand the impact their telecoms services have on their overall carbon footprint. Our 'Tech Donation Programme' enables customers to offer free, refurbished smartphones, mobile data, texts and calls to digitally excluded demographics, specifically 11–16 year-olds and those aged 65 and over.

As part of our own ambitious ESG goals, in 2023, we joined corporate membership with the Digital Poverty Alliance, working with the Delivery Committee to strive to end digital poverty by 2030. Over the last year we've accelerated our work in this space with our employees volunteering time in support of digital skills in local communities through our 'Connect More' programme. So far more than 260 staff volunteers have provided over 650 hours to local communities and helped more than 750 people become more digitally skilled.

We continued to build joint brand awareness in our markets across Business and Wholesale customers and segments as a cohesive next generation technology provider. Through 2023 we have continued traction in the market with our Get More tech fund proposition enabling customers to claim 10% of their total monthly contract value to spend on new technology when they combine their fixed and mobile connectivity through us. Our scale and broad product offering as a merged business has supported our ability to acquire new customers and enabled increased cross-portfolio sales within our customer base.

Better Connections Plan

Zero carbon future:

We've continued progress against our target of net zero carbon emissions across our entire value chain by the end of 2040, with a reduction in operational emissions of 45% against our 2020 baseline.

Circularity

Our target of reaching zero waste across our operations by the end of 2025 remains on track, and in 2023 we recycled 4,503 metric tonnes of waste from a total of 5,622 metric tonnes produced. 80.1% of our total operational waste was recycled.

Communities

Against our goal of connecting one million digitally excluded people across the UK by 2025, we have connected 150,402 people since 2022.

See "Non-Financial and Sustainability Information Statement" on page 45 for further information on our 2023 progress against the Better Connections Plan.

Key Performance Indicators

We measure our progress through a number of operational, financial and non-financial Key Performance Indicators (**KPIs**).

Operational

Total Mobile Connections (thousands)

0.5%

2023	44,861
2022	44,650

Definition
The number of active SIM cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a tablet would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from our mobile telephony subscriber counts after periods of inactivity of 90 days. Total number of mobile connections includes Consumer, Small Medium Business (**SMB**), Enterprise, IoT (comprising Machine-to-machine (**M2M**) and Smart Metering Implementation Programme (**SMIP**)) and Mobile Wholesale Connections.

Development in 2023
Total mobile connections increased 0.5% to 44.9 million (FY 2022: 44.7 million) driven by an increase in mobile contract and IoT connections, partially offset by a decrease in prepaid and wholesale connections. Growth in mobile contract connections was supported by the introduction of giffgaff contract, including some migration from giffgaff prepaid. IoT growth was driven by SMIP connections, while Wholesale connections decreased due to the migration of customers from a smaller MVNO partner in Q2, more than offsetting growth from other existing partners.

Fixed-Line Customer Relationships (thousands)

0.5%

2023	5,827
2022	5,796

Definition
The number of customers who receive at least one of our broadband, video or telephony services, without regard to which or to how many services they subscribe. Fixed-Line Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g. a primary home and a second home), that individual generally will count as two Fixed-Line Customer Relationships. We exclude mobile-only customers from Fixed-Line Customer Relationships.

Development in 2023
Fixed-line customer relationships increased 0.5% to 5.8 million (FY 2022: 5.8 million). Customer growth was supported by an increase in the serviceable fixed network footprint.

O2 Monthly Contract Churn (%)

+10 BPS

2023	1.0
2022	0.9

Definition
The rate at which contract subscribers relinquish their subscriptions. This is calculated by dividing the proportion of postpaid contract mobile connections who have terminated their contract (Consumer, SMB, Enterprise and Mobile Broadband) for the period by the average base.

Development in 2023
O2's monthly contract churn increased 10 basis points (**bps**) to 1.0% (FY 2022: 0.9%) primarily as a result of higher churn from Virgin Mobile customers through the migration to O2. Our continued customer-first decisions, such as not reintroducing EU roaming charges, have led to O2's churn remaining broadly stable and low.

1 The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 33 of the Notes to the Consolidated Financial Statements.

KEY PERFORMANCE INDICATORS CONTINUED

Financial

Transaction Adjusted Revenue[1] (£ millions)

5.2% ▲

2023	10,923.2
2022	10,381.9

Definition
Revenue which has been normalised for certain adjustments which have been made to more accurately represent the performance of the underlying operations. These adjustments reflect the fair value measurement required, in connection with the completion of the joint venture, whereby the opening balance sheet of the combined business was reported at its estimated fair value, resulting in the adjustment of certain deferred revenue, primarily installation, which would have otherwise been released and recognised as revenue.

Development in 2023
Total Transaction Adjusted Revenue increased by 5.2%, to £10,923.2 million (FY 2022: £10,381.9 million) with growth due to revenues related to nexfibre construction and increased mobile service revenue, partially offset by a decline in fixed-line and mobile handset revenues.

Revenue (£ millions)

5.3% ▲

2023	10,912.7
2022	10,360.0

Definition
We derive our revenue from residential and B2B communications services, including mobile, broadband internet, video and fixed-line telephony services. Where multiple products and services are provided in a proposition, we allocate revenue proportionally to each 18 performance obligation within the contract based on the relative standalone selling price, recognising revenue as each performance obligation is satisfied. For hardware sales, this is on transfer of the asset, for connectivity services over the contract period as the service is used by the customer.

Development in 2023
Total Revenue increased by 5.3% to £10,912.7 million (FY 2022: £10,360.0 million) with growth due to revenues related to nexfibre construction and increased mobile service revenue, partially offset by a decline in fixed-line and mobile handset revenues.

Transaction Adjusted EBITDA[1] (£ millions)

5.0% ▲

2023	4,102.3
2022	3,905.4

Definition
Adjusted EBITDA which has been normalised for certain adjustments which have been made to more accurately represent the performance of the underlying operations. These adjustments reflect the fair value measurement required, in connection with the completion of the joint venture, whereby the opening balance sheet of the combined business was reported at its estimated fair value, resulting in the adjustment of certain deferred revenue, primarily installation, and deferred commission and install cost balances, which would have otherwise been released and recognised as revenue and operating costs respectively.

Development in 2023
Transaction Adjusted EBITDA increased by 5.0% to £4,102.3 million (FY 2022: £3,905.4 million), with key drivers of growth being the realisation of synergies, consumer price rises and cost efficiencies, partially offset by inflationary pressures including energy costs.

Adjusted EBITDA[1] (£ millions)

4.2% ▲

2023	4,096.0
2022	3,931.6

Definition
Adjusted EBITDA is a measure used by our chief operating decision maker to evaluate operating performance and is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. For further detail see financial notes.

Development in 2023
Adjusted EBITDA increased 4.2% to £4,096.0 million (FY 2022: £3,931.6 million), with key drivers of growth being the realisation of synergies, consumer price rises and cost efficiencies, partially offset by inflationary pressures including energy costs.

1 The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 33 of the Notes to the Consolidated Financial Statements.

KEY PERFORMANCE INDICATORS CONTINUED

Financial continued

Adjusted Free Cash Flow[1] (AFCF) (£ millions)

8.4% ▲

2023	722.1
2022	666.1

Definition
Net cash provided by our operating activities, plus expenses financed by an intermediary, less (i) capital expenditures, as reported in our consolidated statements of cash flows, (ii) principal payments on amounts financed by vendors and intermediaries and (iii) principal payments on certain finance leases. We believe that our presentation of AFCF, provides useful information to our investors because this measure can be used to gauge our ability to service debt and fund new investment opportunities.

Development in 2023
AFCF increased 8.4% to £722.1 million (FY 2022: £666.1 million), supported by the aforementioned increase in Adjusted EBITDA.

P&E Additions (£ millions)

(3.3)% ▼

2023	1,993.4
2022	2,061.3

Definition
Includes capital expenditures on an accrual basis, amounts financed under vendor financing or lease arrangements and other non-cash additions, but excludes capex CTC.

Development in 2023
P&E additions decreased (3.3)% to £1,993.4 million (FY 2022: £2,061.3 million), with the main driver of the decrease being the fixed network expansion investment primarily being made by nexfibre rather than through the previous Project Lightning, partially offset by increased investment in our Fibre Upgrade programme and 5G rollout.

Net Total Debt to Annualised Adjusted EBITDA[1] (times)

0.07x ▲

2023	3.64
2022	3.57

Definition
The ratio of net total debt (defined as net senior covenant debt and swapped unsecured debt) to last two quarters (Q3 and Q4 2022 and 2023 respectively) annualised EBITDA after prescribed adjustments.

Development in 2023
Net Total Debt to Annualised Adjusted EBITDA increased from 3.57x at 31 December 2022 to 3.64x at 31 December 2023, driven by additional fundraising in 2023. This was below the covenant level of 5.00x.

Net Senior Debt to Annualised Adjusted EBITDA[1] (times)

0.08x ▲

2023	3.35
2022	3.27

Definition
The ratio of net senior debt (defined as net senior covenant debt) to last two quarters (Q3 and Q4 2022 and 2023 respectively) annualised EBITDA after prescribed adjustments.

Development in 2023
Net Total Debt to Annualised Adjusted EBITDA increased from 3.27x to 3.35x from 31 December 2022 to 31 December 2023, driven by additional fundraising in 2023. This was below the covenant level of 4.00x.

1 The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 33 of the Notes to the Consolidated Financial Statements..

KEY PERFORMANCE INDICATORS CONTINUED

Non-financial

Employee Engagement (%)

(7) PPT

2023	72
2022	79

Definition
Our primary metric of employee engagement is sustainable engagement collected by anonymous employee surveys. Sustainable engagement focusing on three key areas; (i) Engagement: people are engaged - they are proud to work here, go the extra mile, and believe in the organisational goals and objectives (ii) Enablement: the organisation provides the support employees need to do their work (iii) Energy: the organisation creates a healthy work environment - one that supports employees physical, social, and emotional wellbeing.

Employee Engagement is measured on a scale of 0 - 100.

Development in 2023
Employee Engagement decreased by 7ppt to 72 in 2023 (2022: 79). The survey results highlighted key strengths and opportunities enabling a sharp focus in influencing positive change in our culture and behaviours, in the context of micro environment challenges such as the pace of operational change within Virgin Media O2 and macro challenges including the increased cost-of-living for employees. Following the survey, our people strategy and priorities were updated with a focus on culture, underpinned by belonging, clarity, recognition and development as crucial drivers of our success.

Direct Emissions - Scope 1 and 2 (Carbon Dioxide emissions tonnes (tCO_2e))

(22.7)%

2023	55,207
2022	71,393

Definition
Metric tons of Carbon Dioxide emissions (**tCO_2e**). Direct emissions (Scope 1) from fuel consumption and leakage of refrigerant gases in our operations, as well as indirect emissions from secondary energy sources (Scope 2).

Development in 2023
We remain on a science-based target pathway and on course for our 2025 target to reduce operational (Scopes 1 and 2) emissions by 60%, with a 45% reduction in 2023 against our 2020 baseline. Supported by improvements including increased third party mobile masts operating using renewable energy, reduced emissions from fugitive gases, and reduced fleet and static fuel usage.

See "Streamlined Energy and Carbon Report" on page 56 for further information on definition and development in 2023.

Number of people benefiting from programmes in Digital skills (millions)

20.0%

2023	1.8
2022	1.5

Definition
Through the Virgin Media O2 partnerships with Internet Matters and Good Things Foundation, the calculation is based on the volume of people who have accessed support and training each month via the Internet Matters website and registrations on the Learn My Way website.

Development in 2023
Our three-year partnership with the Good Things Foundation has continued its drive to help disadvantaged people across the UK get online and gain digital skills. We gifted the charity £0.2 million in 2023 to help fund a new apprenticeship programme where successful candidates will gain professional qualifications alongside undertaking critical work to increase digital inclusion across the UK.

See "Non-Financial and Sustainability Information Statement" on page 45 for further information as part of the Better Connections Plan.

Gender Pay Gap (%)

(0.1) PPT

2023	1.9
2022	2.0

Definition
Mean hourly pay gap between male and female employees as at 5 April 2023.

Development in 2023
We have a narrow pay gap of 1.9% in favour of men. Our ambition is to increase gender representation as part of our All In Diversity, Equity and Inclusion strategy.

See "DE&I" on page 54 for further information.

Business Overview

Consumer

The majority of our revenue is derived from sales of mobile and fixed telecommunication services to consumers. This utilises both our mobile and fixed networks and is supported by our ability to sell converged bundles of multiple products.

Consumer Mobile

Our mobile network is a leading UK MNO whose primary business is providing mobile telecommunications and related services. Virgin Media O2 is the largest MNO in the UK telecoms market, based upon total subscribers including wholesale MVNO connections.

Under our premium O2 brand, we offer a comprehensive range of mobile services and products to customers, including mobile voice, messaging and data services, and sales of handsets, tablets, wearable devices and other hardware. In addition, we offer a range of value-add services and products including digital payment services and insurance products. Through our digital loyalty programme, Priority, we offer customers a range of exclusive deals and perks. In addition to offerings under the O2 brand, we also seek to access additional customer groups through our giffgaff brand, while also receiving wholesale revenue from other consumer brands through our MVNO partnerships (see "Business and Wholesale" on page 25 for further information).

As part of the integration of Virgin Media and O2, we have moved all Virgin Mobile customers over to O2's range of plans. Once a customer has been moved to an O2 plan, they benefit from unlimited texts and voice calls, and either double the data or unlimited data for the same amount of money each month. Migrations started in Q1 2023 and completed in Q4 2023.

For our O2 consumer mobile contract customers in April each year, as stated clearly within terms and conditions, customers' Airtime Plan will be increased by January's Retail Price Index (**RPI**) rate of inflation, announced in February, plus 3.9% if the contract started from 25th March 2021. For contracts that began prior to that date the increase will be the RPI rate only. The RPI rate for January 2023 was 13.4%, meaning an increase in Airtime Plan of 17.3% for applicable customers.

Consumer Mobile Services and Products

We offer a wide range of mobile telecommunications and value-add services and products to our consumer and business customers principally under our premium O2 brand, with our additional giffgaff brand targeting other segments in the market. Our approach focuses on the needs of our customers with the aim of maintaining and increasing our large, loyal customer base to drive value.

a) Mobile Services

We offer our consumer customers mobile voice, messaging and data services which are supplied, through the use of either a SIM card or through an embedded SIM (**eSIM**). Customers can purchase a SIM card either on its own as a SIM only (**SIMO**) mobile service or together with a handset. Mobile services for both SIMO and handset options are offered under two payment models "contract" or "pay monthly" (a post-pay model) and "prepaid" or "pay as you go" (a pre-pay model). "Pay monthly" customers have access to the "Custom Plan" proposition (as part of "O2 Refresh"), which allows customers to spread the cost of their phones over different terms, flex their data up and down, or upgrade. "Pay as you go" customers can purchase a handset paying in full upfront.

We also provide data-only mobile broadband services over our mobile network. Customers can purchase data-only plans together with a tablet device, or as a SIMO service purchasing data access devices separately, for example a laptop dongle or a mobile WiFi device.

"O2 Family" is our multi-SIM proposition with the aim to simplify billing processes and provide discounts based upon the number of connections registered. For each family connection registered, the primary account holder receives one bill rather than multiple bills throughout the month.

b) Hardware Sales

In addition to handsets, tablets and data access devices offered to its mobile customers, we offer a range of stand-alone products, including smart-tech (such as smart watches and fitness devices) and accessories (such as handset cases, screen protectors, chargers, cables, portable batteries, headphones and speakers), and other technology (such as games consoles and virtual reality headsets).

Our "Switch Up" proposition allows customers on certain tariffs to trade in their current phone for a new one every 90 days.

BUSINESS OVERVIEW CONTINUED

As part of our "Like New" online offers, customers are able to select from a choice of quality assured pre-owned handsets. Customers can purchase "Like New" handsets as part of our "pay monthly" and "pay as you go" payment models.

Consumers on any network can exchange their existing handset through "O2 Recycle", a scheme which allows people to exchange old phones and other gadgets utilising the value towards the cost of a new one or for cash payment or bill credit. Devices returned through O2 Recycle are processed for re-use via Like New, Market Place, re-sold or sent for environmental recycling by dissembling and harvesting component parts.

c) giffgaff
We also have a wholly owned digital brand, giffgaff, an online-only MVNO providing telecommunications services to the consumer mobile segment. It has no call centres or shops, resulting in a highly-efficient member service model with significantly reduced customer service costs. The majority of giffgaff's customer base takes prepaid, SIMO mobile services, but it also offers new and refurbished handsets and from Q2 2023 introduced pay monthly services.

d) Value-add Services
We offer a number of value-add services as part of our strategy to increase customer engagement and loyalty, and reduce customer churn rates. The following value-add services are available to our customers:

i) Rewards and Offers
Priority offers customers a range of exclusive deals and offers through a mobile application (**app**), as well as 48 hours early access to presales of tickets for music, comedy and sports events across the UK, including 20 O2 Academy venues, The O2, and England Rugby matches at Twickenham. Priority is one of the largest UK digital loyalty programmes. Priority is also available to Virgin Media customers and had 3.4 million active users (defined as users who have opened Priority in the past 12 months) as of 31 December 2023.

ii) WiFi
"O2 WiFi" provides access to WiFi connectivity free of charge to end users regardless of their network. It had approximately 15.3 million unique users as of 31 December 2023 (defined as those who had used the service in the prior three month period). O2 WiFi supports customers' connectivity needs, as well as gaining access to a wider potential customer base, introducing them to the O2 brand experience.

iii) Communications
WiFi Calling (also called **Voice over WiFi** or **VoWiFi**), allows customers to make and receive calls even if they cannot connect to the mobile network. 4G Calling (also called **Voice over LTE** or **VoLTE**) allows customers to make calls using the 4G network, for a higher definition, clearer voice call. WiFi and 4G Calling are available to O2 network customers and, in 4G Calling areas, they work together to provide a seamless and uninterrupted experience as customers move from one to another, preventing calls from dropping.

iv) Payment Services
"Charge to Mobile" allows customers to buy digital content through their device, with the cost of the product added to their monthly mobile bill for pay monthly customers or taken from their mobile credit for pay as you go customers.

v) MyO2
"MyO2" enables consumer customers to digitally self-serve, providing account management features including billing, payments, bolt-ons and tariff changes.

vi) O2 Extras
"O2 Extras" gives customers access to services including Amazon Music Unlimited, Amazon Prime Video, Audible, McAfee and Disney+. When customers take out certain tariffs for an O2 Refresh phone, tablet or SIMO contract, they can choose one Extra free for 6 months, and customers can also add chargeable Extras to their monthly bill at any time.

We also offer paid services and products with the aim of leveraging our strong position in the UK mobile service market and monetising additional growth opportunities, including (i) mobile and tablet insurance, (ii) international calling bolt-ons which allow customers to make international calls from 1p per minute for £3 per month, and (iii) the "O2 Travel" bolt-on, which allows customers to call, text and use data at significantly reduced rates (compared with O2's standard rates) while roaming abroad.

Consumer Fixed
Our Virgin Media brand is one of the UK's largest providers of residential communications services in terms of the number of customers, offering broadband internet, video, and fixed-line telephony services.

Virgin Media's residential broadband internet subscribers access the internet at various download speeds up to 1.1Gbps as of 31 December 2023, depending on the tier of service selected, with gigabit download speeds offered to the whole of our footprint. We determine pricing for each different tier of broadband internet service through analysis of speed, market conditions and other factors, and as of 31 December 2023, 98% of our fixed-line customers were broadband internet customers. Fixed-mobile convergence (**FMC**) penetration represents the number of customers who subscribe to both a broadband internet service and contract mobile service, divided by the number of customers who subscribe to our broadband internet service. FMC penetration has remained stable in 2023 at 44%, with the primary activity being customers migrating from earlier FMC bundles such as "Oomph" to our lead convergence proposition "Volt". We aim to increase penetration of FMC through acquisition of new customers, cross-sell of new products into respective fixed and mobile bases, and enrolment of existing customers.

Our digital cable service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view (**PPV**) programming (including digital cable-on-demand), digital cable recorders, ultra-high definition (**UHD**), high definition (**HD**) and access to over-the-top (**OTT**) content.

BUSINESS OVERVIEW CONTINUED

Our residential customers include Small Office, Home Office (**SoHo**) customers that pay a premium price to receive enhanced service levels along with video, internet or telephony services that are the same or similar to the products offered to our residential subscribers. All SoHo customers receiving mass marketed products, whether or not accompanied by enhanced service levels and/or premium prices, are included in our fixed-line customer counts and subscriber revenue, with only those services provided at premium prices considered to be SoHo customers.

Consumer Fixed Products and Services

We offer our customers a choice of packages and tariffs within each of our fixed-line and fixed-mobile converged product categories. This includes broadband internet, video and fixed-line telephony alongside converged packages with mobile contract services. Customers are charged a recurring rental fee for the package with additional out-of-bundle, transactional and one-off charges. Services are acquired by consumers through online, voice, retail and field sales channels.

Our converged offering enables customers to benefit from one supplier for all of their telecommunication and video entertainment needs. Fast and reliable broadband is of crucial importance to our customers, as they spend more time streaming video and other bandwidth-heavy services on multiple devices. Customers across our fixed footprint are able to access gigabit download speeds, with an average speed across our broadband base of 358Mbps, which is approximately 5 times higher than the national average as reported by Ofcom. Our entertainment propositions, accessed through a set-top-box, offer customers a seamless and personal entertainment experience bringing together the top TV channels and streaming apps as well as the ability to watch content on the go with the “Virgin TV Go” app.

Volt is our lead fixed-mobile converged proposition with customers benefitting from the best of both brands, with faster broadband speeds, double mobile data, “WiFi Guarantee” at no extra cost, WiFi pods to boost connectivity, and roaming with O2 Travel. Volt is available to both new and existing customers when they combine a Virgin Media broadband package with an eligible mobile contract plan from O2. As of 31 December 2023, 1.9 million customers took a Volt bundle from us. We also offer a series of Volt bundles exclusively for small businesses, providing more speed, more data and more value.

Our bundled packages are designed to encourage our customers to purchase multiple services across our product portfolio by offering incentives to customers who subscribe to two or more of our products. The types and number of services that each customer uses, and the prices we charge for these services, drive our revenue.

In the first half of 2023, we informed some of our fixed-line customers of price increases which averaged approximately 13.8%, primarily implemented over the second quarter, giving customers the right to cancel for 30 days. Some cohorts are excluded from price rises, including vulnerable customers on “Essential Broadband”, and “Talk Protected” tariffs. Customers, with some exceptions, were also notified that terms and conditions were updated meaning from 2024 onwards an RPI plus 3.9% increase would be applied, closer aligned to the process of the mobile price increase.

a) Broadband Internet

Internet speed and reliability is of key importance to our customers, as they spend more time streaming video and other bandwidth heavy services on multiple devices. Our extensive broadband network enables us to deliver ultra high-speed internet service across our markets in the UK and we are one of the leading providers of broadband internet access in the UK. Our residential subscribers access the internet via cable modems connected to their internet capable devices, or wirelessly via a WiFi gateway device.

Our broadband internet services utilise “Intelligent WiFi”, available with our “Hub 3”, “Hub 4” or “Hub 5” routers, which 98% of our broadband customers have. Intelligent WiFi has optimisation functionalities, such as the ability to adapt to the number of people and devices online at any given time in order to improve and extend wireless connectivity reach and speeds. We also offer our “Connect App” that, amongst other things, allows our customers to find their best WiFi access. In addition, we provide intelligent mesh WiFi boosters, which increase speed, reliability and coverage by adapting to the environment at home. Our next generation broadband router, Hub 5, comes with WiFi 6, the latest generation of wireless technology that brings faster and more reliable speeds. The Hub 5 is made with recycled plastic.

As of 31 December 2023, we offered six tiers of cable broadband internet services to new subscribers with unlimited downloads at speeds of up to 54Mbps, 132Mbps, 264Mbps, 362Mbps, 516Mbps and 1.1Gbps for a monthly fee. In addition to the monthly fee, customers pay an activation service fee upon subscribing to an internet service, although this one-time fee may be waived for promotional reasons. We determine pricing for each different tier of internet service through an analysis of speed, market conditions and other factors.

Our Essential Broadband service provides low-cost connectivity to those receiving Universal Credit, Pension Credit, Income Support, Income-based Jobseeker’s Allowance or Income-based Employment Support Allowance, on a 30-day rolling contract. As of 31 December 2023, Essential Broadband of 15Mbps Fibre Broadband cost £12.50 per month, Essential Broadband Plus of 54Mbps Fibre Broadband cost £20.00 per month, and Essential Broadband Plus with Stream of 54Mbps Fibre Broadband and “Stream from Virgin Media” cost £20.00 per month with a one-off £20 Stream set up fee.

BUSINESS OVERVIEW CONTINUED

We are the largest gigabit speed provider in the UK with our "Gig1" service available across our UK footprint, representing 17.0 million premises. To further future-proof our fixed network, we are upgrading our entire footprint to FTTP through XGS-PON technology, as well as our build on behalf of nexfibre being exclusively FTTP (see "Networks" on page 29 for further information). In the long term, XGSPON and fibre connections will provide customers with even more bandwidth as the technology enables symmetrical upload and download speeds. This means that customers will have the ability to upload as quickly as they download, at speeds of up to 10Gbps. With so many breakthroughs happening in the technology space right now, from the metaverse and generative AI, to mixed reality applications and immersive gaming, this connectivity will enable future new technologies and applications to flourish.

Fast and reliable broadband is of crucial importance to our customers, hence we offer our WiFi Guarantee with "WiFi Max". Customers are guaranteed download speeds of at least 30Mbps in every room or get a £100 bill credit. This service is backed up by our signal-boosting mesh WiFi Pods (if required) and Intelligent WiFi service – at no extra cost with Gig1 Fibre Broadband and our Volt packages.

b) Video

Our digital cable platform includes access to 230 linear television channels, advanced interactive features and a range of premium subscription-based and PPV services. In addition to our linear television services, which allow our customers to view television programming at a scheduled time, our digital cable customers also have access to a broad range of digital interactive services, including Virgin TV On Demand, one of the most comprehensive digital cable-on-demand services in the UK, and Virgin TV Go, one of the most comprehensive cloud-based entertainment services in the UK, which are described below.

We also offer interactive "red button" applications from the British Broadcasting Corporation (**BBC**) and other commercial broadcasters, such as Sky plc (**Sky**) and BT Group plc (**BT**). Red button functionality in the UK permits television viewers to press a red button on their remote control handset to receive additional interactive services, including multiple alternative broadcasts.

We also offer the flexible entertainment service Stream from Virgin Media that gives customers an affordable way to access their favourite entertainment with no long-term contract or ongoing charges for the basic package, and benefitting from 10% credit on any subscriptions that they add via their Virgin Media bill.

i) Digital Set-Top Boxes

We have a range of advanced digital set-top boxes in use with our customers, which include multiple tuners enabling recording of multiple programmes at the same time. Set-top boxes equipped with digital video recorders digitally record television programming to a hard disk in real-time, enabling customers to play back, pause, fast forward or rewind the programmes at any point during or for a period after the broadcast.

The Virgin Media V6 box combines support for UHD/4K video, together with improved streaming functionalities and more processing power. The Virgin Media V6 box has multiple tuners, allowing viewers to record six programmes while watching a seventh they previously recorded. Under a strategic partnership agreement, we also distribute the TiVo user interface software for our legacy set-top boxes.

All of our boxes provide converged television and broadband internet capabilities in the UK. This enables us to support digital cable-on-demand delivery of television shows, movies and children's programmes in addition to supporting web video services such as Netflix, BBC iPlayer, Prime Video and YouTube.

ii) Virgin TV 360

"Virgin TV 360" offers customers a seamless and more personal connected entertainment experience. Virgin TV 360 boasts all of the top TV channels and streaming apps such as Netflix, Amazon Prime Video and BBC iPlayer, all with UHD/4K and high dynamic range viewing capabilities. The platform also offers a host of features including a voice activated remote-control, Profiles, a new Mini box and Startover. Virgin TV 360 is powered by "Horizon", the next-generation entertainment platform developed by Liberty Global, and with access to regular updates and innovations, is Virgin Media's most advanced and intuitive TV platform to date.

The Virgin TV 360 box has multiple tuners, allowing viewers to record six programmes while watching a seventh they previously recorded. The Virgin TV 360 Mini box does not enable recording but streams recordings from the main TV 360 box. The Virgin TV 360 software can be downloaded to the Virgin Media V6 box allowing customers to migrate from TiVo to the latest Horizon software on receipt of the Virgin TV 360 Voice enabled remote control.

iii) Virgin TV On Demand

Our digital cable-on-demand service provides our customers with instant access to a wide selection of premium movies, television programmes. Content is available in a variety of broadcast formats including standard definition (**SD**), HD and UHD/4K. Our HD content is available to all of our digital cable customers who have an HD box, at no additional charge, however the exact channels available depend on the particular customer's package. Viewers can watch programmes instantly, without the need for buffering, and can freeze-frame, fast-forward and rewind the content at will. This gives our customers increased control over the content and timing of their television viewing.

The primary categories of content available within Virgin TV On Demand are "catch-up" television programming, boxsets, children's programming and movies (on a PPV and premium subscription basis). A selection of content, including our catchup television service, is available free of charge to all of our television customers.

BUSINESS OVERVIEW CONTINUED

iv) Subscription Video On Demand

We offer our television customers basic subscription video on demand (**SVOD**) with a selection of content that increases in volume in line with the customer's digital cable subscription tier.

The offering includes Virgin TV Ultra HD which is a linear entertainment channel broadcasting a selection of high-quality TV series to eligible Virgin TV customers in UHD. The Sky On Demand service allows our customers to access a library of television content from across Sky's range of entertainment channels, additionally UHD movie titles are available to eligible Virgin Media subscribers of Sky Cinema. Tailored advertising is also inserted across many providers within the basic television SVOD and free catch-up services.

v) Virgin Media Store

The Virgin Media Store offers hundreds of titles from all the major studios and most independent distributors. Customers can buy or rent the latest movies on demand, straight from the cinema plus buy much loved TV Box Sets (including series from HBO and Showtime). They can also get early access to premium rentals available to watch at home, the same time as in cinemas. Both Virgin TV and Non-Virgin TV customers can register and use our Virgin Media Store app to buy and watch content. Virgin TV customers can also rent and buy movies to watch on their TV via a Virgin TV box. Rental is only available on Virgin TV and may be viewed multiple times within a 48-hour window.

vi) Virgin TV Go & Virgin TV Control

Our "Virgin TV Go" app allows our television customers to stream more than 100 live television channels (depending on their TV package) on up to five devices at no extra cost through their web browser or via mobile apps for compatible Android, iOS and Windows devices. In addition, our Virgin TV 360 customers can use the Virgin TV Go app to control their set-top box and can also watch selected recordings from their Virgin TV 360 box.

Our Virgin TV Control app allows our TiVo or V6 box customers with iOS or Android mobile devices to manage their set-top box remotely. When in the home, these mobile devices can act as a remote control for their set-top boxes. Customers with compatible iOS or Android devices and a V6 box can also watch selected recordings from their V6 box within the home or download them to their devices for offline viewing using the Virgin TV Control app.

Virgin TV Go and Virgin TV Control are available at no extra cost to our digital cable customers. Virgin Media subscribers of Sky Sports are able to stream these premium channels online or on iOS and Android mobile devices through Sky-provided services.

vii) Apps

As well as our Virgin TV Go, Virgin TV Control and Virgin Media Store apps, we provide our television customers with a large array of third-party apps offering a wide range of content. We provide all the public service broadcaster apps, with BBC iPlayer, ITVX, Channel 4, My5 and STV Player all available to use via the Virgin TV remote. We also feature Amazon's Prime Video, Disney+, Apple TV+, Netflix, Paramount+, YouTube, YouTube Kids and Pluto TV. In addition, our TV platforms provide access to music apps including Vevo, BBC Sounds and Radioline, news apps from around the world, as well as games to entertain. We continue to improve and broaden our portfolio of apps and each year we are committed to bringing the very best new launches to the Virgin TV platforms.

viii) Stream from Virgin Media

Stream from Virgin Media is an internet protocol (**IP**) only TV streaming service allowing customers to bring together their TV subscriptions in one place, utilising a Virgin Media broadband internet connection. A small Stream box can be plugged into a user's television providing them with easy access to TV channels and apps such as BBC, ITV, Channel 4 and YouTube. Customers can get at least 10% Stream credit back on selected entertainment subscriptions if they pay through their Virgin Media bill, including subscriptions like Netflix and Disney+ Premium, as well as Sky Sports and Essential Entertainment. By bundling their OTT subscriptions together, customers also have an easy-to-see overview of what they are paying for and can manage them in a straightforward way, allowing for added flexibility as their viewing habits change.

c) Fixed-Line Telephony

We provide local, national and international telephony services to our residential customers over our twisted copper, hybrid fibre coaxial cable and FTTx networks. We also provide telephony services through voice over internet protocol (**VoIP**) technology, across our fibre network. We offer a basic line rental service to our cable customers for a fixed monthly fee. In addition, we also offer tiered bundles of call tariffs, features and services, including calling plans that enable customers to make unlimited national landline calls and calls to mobile telephones either during specified periods or anytime, for an incremental fixed monthly fee. Our fixed-line customers can also make calls to mobile customers free of charge and may also subscribe to additional services such as call waiting, call blocking, call forwarding, three-way calling, advanced voicemail and anonymous caller rejection services for an additional fee.

BUSINESS OVERVIEW CONTINUED

Business and Wholesale

With a diverse and long tenured customer base across all segments, we provide business services to large enterprise, public sector and small & medium business customers, as well as wholesale and MVNO partners. There has never been a more important role for connectivity than right now. As organisations look to build for the future, they want a partner that really understand their needs. As a key provider of B2B communication services in the UK, through our converged offering, we provide flexibility and choice with connectivity solutions across our award-winning fixed and mobile networks, as well as integrated voice, mobility, security, and cloud solutions. Additionally, we leverage our expertise and understanding of the customer through our data assets to create customer-first solutions through 5G private networks, and IoT connectivity, empowering customers to solve real-time business challenges and harness innovation. In 2023, Business mobile revenue is reported as a part of Mobile, B2B fixed revenue within Fixed revenue, and other products including revenues received from nexfibre, SMIP and Information and Communication Technology (**ICT**) revenues within Other revenue.

In addition, we look to partner with other organisations to wholesale our connectivity whether fixed or mobile. We own the relationship with some of the largest MVNO's in the UK. This means we wholesale our network to organisations such as Tesco Mobile and Sky Mobile. Finally, we also provide the connectivity for much of the UK's Smart Meter infrastructure roll out, helping the UK progress towards a more sustainable future.

The UK needs connectivity that is fit for today and for a sustainable future. Businesses need to be able to respond to the needs of today's dynamic workforce and hybrid ways of working. But arguably more importantly, businesses want to work with a brand with principles and commitments as well as skills and expertise. In 2023, we launched new sustainability-focused solutions. The "Carbon Calculator" aims to provide clear and trustworthy information on emissions related to our customers' services, to help them achieve their sustainability goals. Our "Tech Calculator" empowers our customers to drive tangible social impact by offering refurbished smartphones, mobile data, texts and calls to digitally excluded demographics, specifically 11 to 16 year-olds and those aged 65 and above. O2 Recycle for Business makes it simpler for companies to recycle their unused devices and get paid for doing so.

Business Direct

Our retail business offers connectivity and related services to the Large Enterprise and Public Sector in addition to Small and Medium Business.

Large Enterprise and Public Sector (LEPS)

We have a dedicated sales and customer success team focused exclusively on the Large Enterprise and Public Sector market in the UK. We service a range of private sector organisations including retail, construction, professional services, hospitality, financial services and manufacturing. Notable customers include McDonald's, London Grid for Learning, NHS England, Network Rail and Transport for London. In 2023 we combined our service management and sales teams into a single customer facing organisation with dedicated Customer Success managers focused on maximising customer satisfaction, delivering on our customer's business objectives and retention.

We offer a wide range of propositions to large enterprise and public sector customers, reflecting the complex requirements they have to connect their people and data, operate in a secure and compliant way and support the transformation of their businesses. Within the public sector, we have secured and retain places on all the relevant government-approved frameworks, so organisations can buy public sector ICT services as flexibly and efficiently as possible.

Throughout the year, our scale and broad product offering as a merged business has supported our ability to acquire new customers and enable increased cross-portfolio sales within our customer base. Examples of this include helping Homebase improve their network connectivity across its 153 UK stores, upgrading their infrastructure and connectivity, providing a faster, more stable network across all stores while helping them to reduce their costs. Earlier this year, working closely with Falkirk Council, we developed solutions that included a wide area network (**WAN**) deployment across the Council's over 60 schools in both urban and rural environments, greatly enhancing internet speed, accessibility and reliability across the region.

We have also taken strides to support our customers on their digital transformation journey through hosting Customer Advisory Boards and Innovation Forums aimed at identifying and innovating future tech requirements and solutions. Enhancing our awareness in our marketplace, we have been active at many industry events during the year, supporting Northumbria Water Group at their Innovation Festival, Government and Civil Service customers at Tech UK, Connected Britain, Connected London and Police Digital Summit, as well as employees attending the Mobile World Congress in 2023.

BUSINESS OVERVIEW CONTINUED

Throughout the year, our scale and broad product offering as a merged business has supported our ability to acquire new customers and enable increased cross-portfolio sales within our customer base, including the Metropolitan Police and a number of other public sector organisations. We launched a partnership with Telefonica Tech UK&I in 2023 for the provision of cloud managed services, with new customer wins in the retail, engineering, healthcare and local government sectors.

Products and Propositions

a) Mobile
Our mobile offering provides our customers with connectivity, devices, management and enterprise managed mobility tools to help mobilise and manage their workforce, tailored to their needs.

Our flexible approach to tariffs means we give the customer the best fit for their organisation, with voice, data, roaming and bolt-ons to ensure complete flexibility, control and peace of mind.

We range the latest smartphones, tablets and the accessories to help our customers of all sizes work smarter, faster and more efficiently to cover all the customers organisational needs and, more importantly, to enable their people with the best technology.

We help our customers access the latest technology with flexible financing options with the option to spread the cost, own or lease.

b) Connectivity, Cloud and Security
WAN and Local Area Networks (**LAN**)/WiFi solutions for enterprise and public sector customers.

We bring together our fixed-line broadband internet and 5G services while expanding our network reach across the country, and offer a full range of access options, so our customers can access their services in the most cost-effective and secure way. Our extensive broadband network enables us to deliver ultra high-speed internet service across all our markets in the UK.

Our network has over 300 points of presence (**PoPs**) delivering Ethernet based services and is capable of carrying a variety of services and high bandwidth applications simultaneously. Our managed WAN solutions securely connect business users and devices to the data centres, cloud services and applications they need, and we increasingly aim to enable digital transformation with new generation services such as Software Defined Wide Area Networks (**SD-WAN**) built around the cloud and Software as a Service (**SaaS**) applications. We assist our customers on their cloud journey through our partnership with Telefónica Tech. Services we provide include consulting engagements to assist the customer define, develop and deploy their vision for cloud and offer enhanced support through in-life managed services.

We offer Secure Access Service Edge (**SASE**), delivering a security framework that converges a SD-WAN and Zero Trust security solutions into a converged cloud-delivered platform that securely connects users, systems, endpoints, and remote networks to apps and resources.

We also offer a wide portfolio of integrated, fully managed security solutions and services through partnerships with leading software vendors such as Microsoft, Akamai, IBM and Sophos. To compliment these, we provide security monitoring and response services across our customers information technology (**IT**) estate, leveraging the Managed SOC capability of our partner Telefónica Tech.

c) Workforce Productivity
We have a range of productivity solutions across all business segments of the market that enable organisations to maximise the return from their investment in connectivity and digital tools.

We provide end-to-end services, helping customers with simplifying the configuration, provision, management and recycling of customer devices, including platforms including Apple ADE, Samsung KME and Android ZTE which are provided free of charge to our business customers with the purchase of new devices.

For larger businesses we offer Managed Logistics Service (**MLS**), allowing our customers to speed up device on-boarding by having kit and pre-configured devices to their specific operational needs, along with optional lifecycle repairs, replacement, and asset management.

We work closely with a number of strategic partners to meet the needs of all customers such as Cisco and Microsoft, and provide, configure, manage and support end-user productivity tools such as Microsoft Office365, Teams and VMWare Workspace One.

We have a range of voice solutions across all business segments of the market that include IP based voice services, Microsoft Teams and Contact Centre as a Service.

Small and Medium Business (SMB)

We operate in the SMB segment, broadly defined as companies with up to 250 employees, via a Direct team as well as a range of Indirect Partners.

a) Direct Sales
Virgin Media O2 Business has a dedicated sales, commercial and marketing team focused exclusively on the SMB market in the UK. The teams are responsible for offering fixed and mobile connectivity propositions, along with mobile hardware, secure flexible working, and unified communication and collaboration tools. These include products such as Microsoft Office365 along with security products such as MaaS360 and Sophos..

BUSINESS OVERVIEW CONTINUED

b) Indirect Sales
Our indirect SMB sales channel is built up of a number of direct relationships with partners (**Partners**), who sell O2 branded mobile connectivity and hardware propositions to business customers either directly or through their network of resellers (**stockists**). These Partners, many of whom have relationships with O2 spanning decades, represent an important part of our SMB activity and are a significant route to market. They offer us reach into different market segments, they give choice to business customers and often deliver a compelling service wrap and product range. The Partners complement our direct routes to market by giving SMB customers choice as to where they procure their telecommunications needs.

Customer Service
Our delivery and customer service teams provide high quality support across our customers, focusing on delivering outstanding experiences.

Customer Service Support for LEPS customers is based around a model that focuses on the authorised contacts from the customers organisation who are able to deal with account changes on behalf of the customers business. There are teams providing support through voice communications, and teams providing email and back-office support. For Enterprise customers, support is split between the UK, (voice, fixed data and complex email), and India, (standard email and backoffice), whereas for Public Sector customers on Framework contract, all support is provided within the UK due to Framework compliance requirements. There are separate teams to deal with the on-boarding and set-up of new customers and tasks completed here would include account creation, transfer of mobile numbers from existing providers, ordering of handsets and activation of tariffs and services. Employees of the customers organisation, (referred to as End Users), have access to voice support through an End User team based in the UK.

SMB support is provided to three distinct groups of customers, SMB Small Business (up to 10 employees), SMB Medium Business (11 to 249+ employees) and SMB Partner Managed (where the customer has been acquired by an approved O2 SMB Partner and the Partner is the primary support channel). Customers are provided with multiple interactive service channels – voice, webchat, online help & support and My O2 Business which provides reporting and account changes. SMB customers also have email support.

Wholesale Fixed
Our wholesale fixed portfolio consists of core connectivity, dedicated fibre products:
- Dark Fibre – unlit fibre sold via operating lease, sales type lease or indefeasible rights of use (**IRU**);
- High Capacity Services – national or local optical services of 10Gbps or higher;
- Ethernet Services – national or local ethernet services from 10Mbps to 10Gbps;
- Dedicated Internet Access – from 10Mbps to 10Gbps.

Partner relationships are key to customer experience and is a crucial part of the Wholesale Fixed business' success in terms of the way we do business and perform. Each partner is served through an account manager and partner success manager, supported with sales engineers and commercial managers.

Wholesale product key supplier partners are Alcatel, Ciena and Infinera for network equipment supply and Nokia for design, build and deploy professional services. For each supplier partner a Partner Manager is assigned to own the primary relationship, and is responsible for monitoring partner performance and continuous improvement of partner performance through formal partner reviews.

Our "UltimateFlex" contracting method is an industry first entirely flexible dedicated fibre service with 30 days cancellation after 90 days of service and price benchmarking to ensure it is never above the prevailing market rate. This is our primary contracting method for Ethernet Services.

Wholesale Mobile
MVNO
We are the leading wholesale provider in the UK in terms of the number of MVNO subscribers, including Tesco Mobile and Sky Mobile. We provide wholesale MVNO partners access to our mobile network and infrastructure which enables MVNOs to provide mobile telecoms services to their customers. Through these arrangements, we seek to expand our reach across the UK telecoms market and access additional complementary customer groups, including loyal Tesco customers (such as Tesco Clubcard holders) through the joint venture with Tesco. In 2023, MVNO connections declined due to a loss of a customer in Q2, offsetting growth in connections from other customers.

a) Tesco Mobile
Tesco Mobile is a 50:50 joint venture (**Tesco Mobile JV**) between certain subsidiaries of Tesco and VMED O2, providing mobile services in the UK. The business has grown and developed, and is now the largest MVNO in the UK in terms of mobile subscribers, offering a full range of pre-pay and post-pay mobile services (both SIMO or with a handset). Tesco Mobile offers its services and products across multiple channels, including through extensive national store coverage as part of Tesco stores, together with telesales and online sales.

BUSINESS OVERVIEW CONTINUED

b) Sky Mobile

Sky, the largest UK pay-television broadcaster, entered into an exclusive, multi-year MVNO agreement with the O2 business in 2015, allowing Sky to offer mobile services in addition to the fixed-line telephony, fixed-line broadband internet and television services that it already offered to its customers. Our MVNO agreement with Sky was extended on a long-term basis in 2021.

Messaging & Payments

Under the O2 brand, we enable businesses to expand their digital sales beyond debit or credit cards through taking payments by means of a charge to the customer mobile bill.

We help businesses engage with their customers and employees by enabling them to send automated text messages.

IoT (Internet of Things)

We offer IoT products and services (which includes activities sometimes referred to as M2M) which provide automated data communications between devices (including vehicle fleets, payment terminals and traffic lights) via our mobile network, to help businesses reduce costs and grow revenue through greater convenience and improved customer experience.

Smart Metering

In 2013 the Department for Business, Energy and Industrial Strategy of the UK government awarded O2 a 15-year contract initially worth approximately £1.5 billion to deliver communications services (including the supply of communication hubs) to homes in the central and southern regions of the UK as part of the SMIP. SMIP has been rolling-out millions of gas and electricity smart meters across the UK to help reduce energy usage and CO2 emissions by providing greater visibility of energy consumption. We are a core communications service provider within SMIP and the programme is a key part of the UK’s drive towards a low carbon economy and supports the goal of the UK being carbon neutral by 2050.

BUSINESS OVERVIEW CONTINUED

Networks

High quality connectivity is part of our core strategy, and we continue to future-proof ourselves through evolution of our fixed and mobile networks. Our fixed network footprint covers 17 million homes serviceable as of 31 December 2023, over 16 million of these are passed by us, with the remainder primarily owned by nexfibre. Our mobile network provides 2G, 3G, 4G and 5G mobile services, through our own network brands and also to MVNO operators.

Fixed Network

Our fixed network is entirely Gigabit-capable and we deliver broadband internet, video and fixed-line telephony services to the end customer over a mix of technologies, with this evolving over time. In the Hybrid-Fibre-Coax (**HFC**) zones, there is considerable spectrum and associated bandwidth capabilities using Data Over Cable Service Interface Specification (**DOCSIS**) 3.0 and DOCSIS 3.1. As of 31 December 2023, we offered download speed tiers up to 1.1Gbps for consumers, and 1.0Gbps for business customers.

Fibre Upgrade

We are upgrading our gigabit fixed network to XGS-PON technology. XGS-PON is capable of symmetrical upload and download speeds, meaning customers will have the ability to upload as quickly as they download, with potential speeds of up to 10Gbps. In addition to this, XGS-PON fibre networks are easier to maintain, more reliable and, because we're using a passive optical network, the rates of energy consumption will be lower than on our HFC network. This will help us towards our net zero plan to make things better for customers, communities and the planet. The programme gained significant traction in 2023 and will continue to evolve, driving further efficiency and optimisation into the build process moving forward.

Network Expansion

Alongside the fibre upgrade of our own network, we also rolled out XGS-PON fibre to 833,100 additional homes serviceable in 2023, primarily on behalf of nexfibre. nexfibre is creating an XGS-PON FTTH network to 5 million homes not covered by our existing network, with the option for an additional 2 million homes. We are the anchor tenant in the agreement, as well as providing our well-established network expansion expertise to nexfibre, including construction, IT, technology and corporate services. Combined with our own fibre upgrade, we will have access to a fibre footprint of up to 23 million homes once both programmes complete.

In September 2023, we acquired a regional fibre network, Upp, as part of a back-to-back agreement that will see nexfibre ultimately fund the acquisition. We are currently progressing with completing Upp's build in progress; integrating and aligning Upp's fibre network and systems; and offering Upp customers a wide range of Virgin Media O2 services. nexfibre will then acquire the network assets, equating to approximately 175,000 fibre premises.

Mobile Network

We operate a mobile access network based on 2G, 3G, 4G and 5G standards.

As of 31 December 2023, we had 99.8% population coverage (outdoor) and 98.6% population coverage (indoor) on our 4G network, as well as 89.7% 4G geographic (landmass) coverage.

As we continue to evolve to 5G, as of 31 December 2023, we had 51.1% 5G outdoor UK population coverage, meeting our target of 50% outdoor UK population coverage by the end of 2023.

Network Development and Spectrum Management

In addition to our 5G rollout, we have also continued to focus on network reliability and providing a consistent 4G connectivity experience for our customers. To keep pace with our customers' demands, we have added additional 4G capacity to around a quarter of separate UK postcodes during 2023. We have primarily achieved this through spectrum refarming (re-using our 2G and 3G spectrum on our 4G network) (see "Licences and Frequencies" on page 30 for further information).

In September 2023, we announced our intention to begin to switch off 3G services in 2025 to help enhance customer experience. This will enable us to further expand and upgrade 4G and 5G connectivity, reduce energy consumption to support our net zero targets and deliver enhanced speeds and reliability for customers. It follows the Government and industry's joint statement in December 2021 that all UK MNOs will switch off 2G and 3G by 2033 at the latest, with our switch off taking place in phases across 2025.

Each MNO has a Wireless Telegraphy Act licence requirement to deliver high-quality 4G geographic coverage to at least 90% of the UK landmass by January 2027, supporting the objectives of the Shared Rural Network (**SRN**). As part of the partial not-spots (**PNS**) element of the SRN, each operator has a target to provide 88% 4G landmass coverage across the UK by June 2024. We continue to invest and deliver these upgrades at pace and we expect to either meet or come very close to meeting our own individual target. We are in regular discussions with Government and industry, and remain committed to delivering the full benefits of the SRN as soon as possible.

BUSINESS OVERVIEW CONTINUED

The Future of Connectivity

We have brought our customers new ways to connect through Low Power Wide-Area Network (**LPWAN**) solutions. We started to roll out Long Term Evolution for Machines (**LTE-M**) in 2020 and now have 78% of our 4G sites enabled with the technology. We also continue to rollout Narrowband Internet of Things (**NB-IoT**) technology across our network.

LPWAN, like LTE-M and NB-IoT, are designed to allow long-range communications at a low bit rate between connected things. They have a wider coverage area and devices are more energy efficient with longer battery lives as well as significantly reduced cost than traditional cellular devices, making them massively scalable. These networks are ideal for providing IoT connectivity, even in hard-to-reach locations like rural areas and underground.

We continue to collaborate with the Department for Science, Innovation and Technology (**DSIT**) and other industry bodies and technical experts to carry out a number of 5G tests and trials. For example, "Snowdronia" is a trial to help procure and develop a flying mobile network for a mountain rescue use case, where a long duration drone could provide connectivity in Snowdonia, to help locate and speak to missing people.

New Ways of Operating

Historically, Radio Access Network (**RAN**) radios, hardware and software all came from the same vendor. However, in the future these network building blocks will originate from a greater choice of vendors, which will increase competition and provide flexibility within the supply chain. This should change the pricing model to benefit us and customers by enabling deployment in areas which are currently not cost effective, while promoting innovation, as more players can more easily enter the market improving customer experience.

Network Sharing Arrangement with Vodafone

We have a long-standing network sharing arrangement with Vodafone under which we share our collective mobile sites to form a single, national grid across the whole of the UK and active equipment, such as radio antennae, on joint network sites in certain parts of the UK. The network sharing arrangement has two distinct elements: an active RAN share and a passive infrastructure share.

The active RAN share component involves sharing of our and Vodafone's 2G, 3G, 4G and 5G networks (except in London and certain other major cities). The shared network is managed by each party separately based on a geographical split: we are responsible for managing the active component of the shared network in the Eastern half of the UK, Northern Ireland, most of Scotland and North London, and Vodafone is responsible for managing the active component of the shared network in the Western half of the UK (including Wales) and South London.

In addition, through our joint operation Cornerstone Telecommunications Infrastructure Limited (**CTIL**), we are able to access a wide footprint of mobile network infrastructure. As of 31 December 2023, we had access to a network of approximately 20,000 macro mobile sites through CTIL, including over 15,000 through the network sharing partnership with Vodafone. This includes base stations (connecting handsets to our mobile network using available spectrum), backhaul, the core network (composed of data centres which store customer information and location and switching sites which route voice calls and data to their intended destination) and a service layer (which provides messaging and voicemail capabilities).

On 15 November 2023, we sold a 16.67% minority stake in CTIL to the infrastructure fund GLIL Infrastructure LLP (**GLIL**) for which we received £359.5 million as cash consideration. The sale was structured through Granstone Holdco Limited (**Granstone**) (formerly known as VMED O2 Networks Limited), a subsidiary undertaking of VMED O2, Granstone indirectly owns a 50% share of CTIL. GLIL purchased 33.3% of Granstone with VMED O2 owning the remaining 66.7%. VMED O2 continues to proportionally consolidate Granstone, but recognises a non-controlling interest for the proportion of results attributable to GLIL.

Licences and Frequencies

Although no licence or authorisation is required to operate a telecommunications network or provide a telecommunications service in the UK, operators must obtain a licence under the Wireless Telegraphy Act 2006 in order to use radio frequency spectrum. Spectrum licences are currently divided between the four MNOs active in the UK mobile telecommunications service market, with approximately 22% licensed to VMED O2. Our spectrum licences are effective until revoked by Ofcom or surrendered by us.

Summary of VMED O2's spectrum holding:

Frequency Band Megahertz (MHz)	Spectrum Amount Held (MHz)
700 Frequency Division Duplex	20
800 Frequency Division Duplex	20
900 Frequency Division Duplex	34.8
1,800 Frequency Division Duplex	11.6
2,100 Frequency Division Duplex	20
2,300 Time Division Duplex	40
2,600 Time Division Duplex*	20
3,400 Time Division Duplex	40
3,600 Time Division Duplex	40

*Excludes 5MHz of spectrum not useable for macro purposes

BUSINESS OVERVIEW CONTINUED

Integrating Our Networks

Combining our networks together means we can generate synergies between them and maximise the value of our investments, while being more efficient and improving the service for all of our customers.

We are evolving our fixed and mobile networks to create a smarter, faster and more efficient converged network that will ultimately change the way society functions. Our continuing investments now are ensuring our networks are fit for the future: Simple, Reliable, Efficient, Future Focused, and Customer First. We are challenging historic business models to imagine a more efficient future; bringing connectivity to customers in new and innovative ways.

Our Core network transformation is key to our mobile and fixed networks coming together. It will move customers away from the older equipment onto a new converged Core - consolidating our networks to create efficiencies and reducing costs. We are not only significantly evolving existing parts of our Core network, we are also adding new applications and functions that did not exist before which will ultimately become the foundation of future services. While these important upgrades are being introduced, we are also remaining focused on the basics so that we continue to deliver great service and minimise any disruption for our customers.

Through the year we have grown the synergy benefits of the merger. A key driver of the increase has been our ability to provide a faster and improved mobile data experience to customers by boosting backhaul pipes, by a multiple of 10 times, through use of our fixed networks. Our DOCSIS network also provides faster backhaul for our small cell network, by extending the capacity of the pipes. We're also leveraging our fixed network's infrastructure to host mobile equipment too, such as by adding small cells to the fixed networks cabinets, enabling us to improve our coverage footprint.

Network Awards

In 2023, we continued to win awards for both our mobile and fixed networks. Our customer experience focus was shown at the uSwitch awards as O2 retained the 'Most Popular Mobile Network' award, while Virgin Media was named the 'Most Popular Broadband Provider'. The speed and quality of the fixed network was shown at the Umlaut awards, with Virgin Media winning the 'Best in Test', 'Best rated user download speed' and 'Best rated user upload speed' awards.

BUSINESS OVERVIEW CONTINUED

Customers

We commit to treating our customers fairly, providing clear and transparent information about the products and services we offer, including associated fees and charges. Customer satisfaction is essential to our long-term success and putting our customers first is, more than ever a foundational strategic priority for the organisation. Our large customer bases have broad set of needs and expectations, as high quality and reliable connectivity has grown in importance in peoples lives. We understand customers needs more than ever through research and data analytics, and we remain absolutely focused on meeting and exceeding expectations.

We remain focused on enhancing customer experience. The primary way this is measured is Net Promoter Score (**NPS**), which captures the proportion of customers who are promoters less those who are detractors. The primary challenge to NPS in 2023 was the implementation of higher price rises than prior years. We appreciate that price rises are never welcome, particularly in times of higher inflation, however these increases helped to offset increases in our costs and support investment in the network where usage is increasing significantly.

To help support customer experience we undertook or continued a number of initiatives in 2023 across our customer bases:

Fixed

In Q2 we continued to promote broadband speeds by offering all customers who take M500 or Gig1 broadband packages upgraded upload speeds of 52Mbps and 104Mbps at no extra cost. For our video customers we added 14 Free Ad-Supported Streaming Television (**FAST**) channels to TV360, V6 and Stream customers, added Pluto TV for TV360 and Stream customers, upgraded 14 channels to HD for Mix package customers, upgraded 7 channels for Player or Mixit customers and added Sky Kids HD to the Kids TV bundle at no extra cost.

Mobile

A key differentiator for O2 customers is up to 25GB EU roaming at no extra cost, which we sustained and promoted through our “Roam On” campaign in 2023. A significant customer activity in the year was the migration of Virgin Mobile customers over to O2 plans, these customers benefited from O2’s additional benefits including access to Priority and roaming in additional countries. We continued to invest in improve our mobile network in 2023 supporting customer experience, including reaching 50% 5G outdoor population coverage, and upgrading 4G capacity in around a quarter of UK postcodes.

Converged bundles

Our leading converged consumer proposition, Volt, ended 2023 with 1.9 million customers taking a bundle, an increase of over half a million from 2022. Volt customers show increased loyalty and satisfaction supported by benefits, including a broadband speed boost and double mobile data.

Targeted support for customers who need it

We have continued and expanded targeted support for customers who need it in 2023. For our fixed customers we expanded the eligibility of our Essential Broadband social tariffs, while raising awareness and making sign up easier for customers. In mobile we continued to expand the National Databank, where we have committed to donate 61 million GB of free data by the end of 2025, and in year all O2-owned stores became National Digital Inclusion Hubs offering free O2 data, texts and calls to those in need.

See “Social” within “Non-Financial and Sustainability Information Statement” on page 51 for further information on our support for customers and communities.

In order to effectively manage customer credit risks, we have a series of business acceptance procedures including identity verification, credit and fraud checks, and affordability assessments. We also have collections policies in place to ensure that customers who are struggling to make payments are treated fairly. Our arrears management process follows the general principles of treating customers as individuals, contacting customers at the earliest opportunity, focusing on achieving the best outcome for the customer and being aware of customer vulnerabilities. We have embedded a culture of “do the right thing” by the customer and have effective systems and controls in place to ensure the customer is being treated fairly whilst in financial difficulty, and throughout the arrears management process. We also support the UK Government’s Debt Respite scheme, otherwise known as “Breathing Space”, across our operations.

Our teams work to understand the customers’ ability to make payments. Suitable adjustments are made and where appropriate forbearance options can be offered and if agreed an arrangement that is most suitable to their circumstances can be put in place.

BUSINESS OVERVIEW CONTINUED

Sales and Distribution

As part of our offering of a comprehensive range of products and services, we utilise a diverse array of sales channels. These channels include inbound and outbound telesales, customer care centres, a nationwide field sales force, and digital platforms accessible through our online presence and dedicated mobile applications.

Retail Stores

As of 31 December 2023, we had over 300 stores in the UK, of which approximately 60 were franchise stores. These stores trade under the O2 brand but company stores also sell fixed-line services including our Volt bundles. In September 2022, we took a decision to end our franchise relationships, bringing many stores into company ownership. We are now investing in a refurbishment programme to enhance customer experience in these stores and offering new recruitment opportunities, for impacted employees. We remain committed to working with, and supporting, franchise owners and franchise employees through the closure programme as it gets underway.

Online and Digital Applications

Our online sales take place through our Virgin Media O2, Virgin Media and O2 websites, in addition to our My Virgin Media and My O2 customer apps. These digital platforms take a strategic and growing role in our distribution strategy.

Telesales and Customer Care

We provide customer care and telesales through both our own and outsourced call centres in the UK, Philippines, India, South Africa and Mauritius. We are currently integrating customer services across Virgin Media and O2, enabling customers to access help quickly and easily across both mobile and fixed products in one place, with a ‘right first time’ model implemented with partners.

Field Sales

We engage in direct face-to-face marketing initiatives through a dedicated national sales force for our fixed-line services.

Indirect Sales Channels

Our consumer business utilises several indirect partners for sales and distribution, mobile pay monthly trading partners include AO.com and A1 Comms. Mobile prepaid trading occurs via several SIM distributors including Elite, Core Communications and GK Telecoms who ensure national coverage in a broad range of end distribution outlets, and retailers such as Tesco and Argos, giving us presence in some of the largest retailers in the UK.

Sales and Distribution Strategy

As part of our plan to further digitalisation of our business, we have developed a robust channel strategy. This proposed channel mix necessitates adjustments to the roles and functions of our current physical channels, aligning them with our digital-first strategy. The transition will be gradual, leading us toward the eventual adoption of two key strategic channels, with digital platforms taking a significant share in customer acquisition and ongoing interactions. Our retail stores will evolve to play a pivotal omni-channel role, focusing on providing services and advisory support rather than direct sales. To enable this transition, we will optimize our existing voice channels, which encompass inbound and outbound telesales as well as customer care centres, these will undergo refinement to improve efficiency. Additionally, we will re-evaluate our sourcing strategy within these areas to ensure the best return on investment and to drive improvements in the overall customer experience. Our field sales force will increase focus on our nexfibre penetration.

BUSINESS OVERVIEW CONTINUED

Employees

The evolution of our People Plan for 2023 and beyond sets out to build a Team Virgin Media O2 where every voice matters, contribution is celebrated, and growth is accelerated. We remain committed to improving our gender and ethnicity representation and ensuring that disabled employees can thrive at work. To support this, we continue to deliver our 'All in' strategy, which is sponsored at an Executive Management Team (**EMT**) level and is a key focus of our wider Better Connections Plan ESG Strategy.

Diversity, Equity and Inclusion (DE&I)

We aim to put DE&I at the heart of how we do business, and have ambitious targets. See "Non-Financial and Sustainability Information Statement" on page 45 for further information.

Fair treatment in the workplace

We guarantee that all employees may exercise their employment rights and do not tolerate any situations of forced labour, threats, coercion, abuse, discrimination, violence, or intimidation in our working environment. We guarantee the right of our employees to belong to the trade union of their choice and we do not tolerate any kind of retaliation or hostile action towards employees who take part in trade union activities. We also have employment related grievance policies and processes, to resolve issues and concerns relating to an individual's employment.

We are committed to employment policies that are based on equal opportunities for all and the creation of a diverse and inclusive environment. We support the health and wellbeing of our employees and are committed to providing a range of occupational health and employee support services.

Our policies and line manager guidance ensures fair treatment of people with disabilities in relation to their recruitment, training, and development, for example:

a. Reasonable adjustments and practical considerations relating to disabilities.
b. Increasing the accessibility of our services making them more inclusive for disabled people.
c. Importance of diversity and ensuring that discrimination does not occur.
d. Importance of focusing on what people can do rather than what they cannot and challenging stereotypes about people with disabilities.
e. E-learning which is available to all our employees to highlight the legal and behavioural aspects of Diversity, Equity and Inclusion.

Talent and retention

2023 saw a focus on retaining key talent and refreshing our strategic workforce view to ensure we have the capabilities and skills to deliver our customer-first ambition. This year, we launched two inaugural leadership development programmes: Galvanize for High Potential and SWITCH for high-potential future black leaders. Our Learning and Development team and our partnership with LinkedIn Learning continue to provide all of our people with access to a range of learning content (technical, professional and leadership) and the capability to promote targeted learning to specific teams.

We have a "future careers" programme, including apprenticeship, internship, and graduate programmes, enabling us to build a future talent pipeline for leadership and technical specialist positions. Attracting diverse talent is crucial to us as we know this industry's challenge. To address the challenge, we actively participated in specialist and diversity events and utilised media channels dedicated to engaging with this audience, especially for our recruitment processes. We listened to prospective candidates' feedback and, as a result, have decided to revise the entry requirement, making it more skills-based testing without impacting the quality of hire.

	Year ended 31 December		Increase (decrease)
	2023	2022	%
	Number of employees		
Voluntary leaves	2,070	2,627	(21.2)%
Involuntary leaves	1,964	1,953	0.6%
Total employees leaving Virgin Media O2	**4,034**	**4,580**	**(11.9)%**

Involuntary leaves primarily relate to the ongoing integration and transformation of Virgin Media O2. All outgoing employees are offered a minimum of two-months support covering career coaching, access to workshops covering a range of topics, and online resources.

Employee wellbeing

Employee wellbeing is impacted not only by internal change but in addition by the macro-economic climate with continuation of the cost-of-living crisis, political instability and international humanitarian crisis. To better support our people we launched Thrive a 'one stop shop' for all our available wellbeing tools to holistically support our people's wellbeing from mental to financial support. With strong adoption of 2022's family friendly policy, we continue to support our people in taking time away for moments that matter. Our 2022 cost-of-living response continued to deliver into 2023 this year to all employees earning a basic salary of £35,000 or below with instalments paid between November 2022 and July 2023. In addition, our approach to Annual Salary Review (**ASR**) this year reflected the continued economic challenges with a tiered ASR. Further detail on our employee engagement is discussed in the "Corporate Governance Report" section on page 90.

BUSINESS OVERVIEW CONTINUED

Employee representatives

As of 31 December 2023, we had approximately 15,700 employees in the UK. Approximately 3,500 employees are represented by two trade unions, The Communications Workers Union and Prospect, with whom we believe we have positive working relationships. The remaining employees are not covered by collective bargaining or recognition agreements, and for employee consultation purposes, we work with and recognise an internal employee forum, Employee Voice, the representatives of which are nominated by employees, to provide feedback and representation to the rest of the organisation.

Fair Pay

We are proud to be a leading UK employer and are committed to ensure our employees are paid fairly and appropriately for their contribution. We ensure our reward strategy is aligned to our business strategy; helping our business attract, engage and retain high performing people at all levels of the organisation and encourage the behaviours that drive success.

See our Fair Pay Statement for further information.

Health and Safety

Keeping everyone safe and well is a vitally important part of the way we work. We are committed to provide and maintain, so far as is reasonably practicable, a safe and healthy working environment, compliant with legislation, and safe systems of work to ensure the health, safety and well-being of all our employees, contract partners, visitors, customers and members of the public. It includes those who work on or visit our premises or who may be affected by our products, activities or services.

As part of our team, continual improvement of health and safety performance and promotion of health and safety measures is seen as a mutual objective for management and employees, with every person within Virgin Media O2 empowered to work safely and stop unsafe acts or conditions where they see them. Quarterly governance reviews take place with senior safety leaders across the organisation, chaired by a member of the Virgin Media O2 EMT, during which performance is reviewed, alongside opportunities for improvement, utilising both leading and lagging indicators.

During 2023 we officially launched our ‘Everyone Home Safe and Well’ health and safety strategy during our inaugural Virgin Media O2 Health and Safety week. During this time we took to the road and utilised virtual communications, visiting 17 of our locations, and engaging approximately 1,800 employees during our live session. We used this week to reinforce our three key safety behaviours; (i) **Take Care** – working together, planning safety into our daily activities and reporting any accidents or close calls (ii) **Think it, say it** – keeping safety real by keeping it in the conversation, shouting out positive behaviours and celebrating them, and asking questions whenever things don’t look or feel safe; and (iii) **Do the right thing** - being brave and confident and trusting your instinct – if it doesn’t look or feel safe it probably isn’t. Feel empowered to take the time to stop and rethink. This has enabled and encouraged every person in our organisation to work towards our vision to ensure Everyone Home Safe and Well.

a. Health and Safety Absentee Rate

Total number of working days lost due to absenteeism of any cause against the total available annual work days, definition aligned to International Labour Office reporting.

	Year ended 31 December		Increase (decrease)
	2023	**2022**	**%**
Health and Safety Absentee Rate	0.029	0.034	(14.7)%

b. Injury Rate

Total number of occupational accidents with sick leave against the total hours worked annually, multiplied by 200,000, definition aligned to International Labour Office reporting.

	Year ended 31 December		Increase (decrease)
	2023	**2022**	**%**
Injury Rate	0.51	0.36	41.7%

c. Occupational Disease Rate

Total number of illnesses against the total hours worked annually, multiplied by 200,000, definition aligned to International Labour Office reporting.

	Year ended 31 December		Increase (decrease)
	2023	**2022**	**%**
Occupational Disease Rate	16.9	14.3	18.2%

BUSINESS OVERVIEW CONTINUED

Regulatory

Given the market we operate in, much of our business activity is subject to regulation. To ensure compliance, we maintain close relationships with various UK regulatory bodies, notably Ofcom with whom we have covered vital matters affecting both the UK Telecoms sector and Virgin Media O2. Our goal is ensuring the customer is at the centre of the industry, whilst supporting competition and innovation to help us support delivery of the future of UK digital infrastructure.

Support for gigabit speed and fibre investment and supply

There is a significant need for regulatory conditions to support greater fibre network investment and supply in order to:

a. Encourage competition: help new wholesale operators enter the market and increase competition, leading to better services and greater value for money.
b. Boost the UK economy: Fibre investment creates jobs, attracts businesses and stimulates economic growth, which can benefit the whole country.
c. Improve connectivity: Fibre networks offer faster, more reliable and more scalable connectivity, which is crucial for supporting the UK's digital infrastructure and transformation.
d. Reduce the digital divide: Government support can ensure that fibre networks are rolled out to areas that are currently underserved, helping to reduce the digital divide and increase access to high-speed internet.
e. Support innovation: Fibre networks provide the high-speed, low-latency connections required for emerging technologies like 5G, Artificial Intelligence (**AI**), and the Internet of Things, helping the UK stay at the forefront of innovation.
f. Contributing to the UK's net zero target: Fibre networks are more efficient than traditional fixed-line networks, improving energy efficiency.

Support for 5G investment and deployment

Ofcom and the DSIT eye greater investment in mobile connectivity, including 5G, supporting our rollout and customer benefits including:

a. Improve connectivity: 5G investment can lead to faster, more reliable and more widely available mobile connectivity, which can improve people's daily lives and support the growth of the UK's digital economy. As part of the Shared Rural Network programme, Virgin Media O2 will complete the delivery of its portion of this connectivity in the Summer of 2024.
b. Innovation: 5G provides the high-speed, low-latency connections required for emerging technologies like IoT, autonomous vehicles and smart cities, helping the UK stay at the forefront of innovation.
c. Improve public services: 5G can enable the delivery of innovative public services, such as telemedicine, smart transport and e-government services, making them more accessible and efficient.

Consumer fairness and affordability

There is growing public and regulatory interest in affordability and vulnerability, against a macroeconomic backdrop of a rising cost-of-living for households in the UK. Promoting fairness and affordability can help to bridge the digital divide, ensuring that everyone has access to the essential communications and internet services they need to participate fully in society.

In response to this issue, "Social Tariffs" have been offered by some in the sector, providing lower cost services for those receiving Universal Credit alongside some other payment support. We offer our "Essential Broadband" social tariff to those receiving Universal Credit, Pension Credit, Income Support, Income-based Jobseeker's Allowance or Income-based Employment Support starting at £12.50 per month – this tariff has not risen in price since launch.

In 2021 Virgin Media O2 developed the "National Databank" in partnership with the digital inclusion charity Good Things Foundation, providing free data for community groups to distribute across the UK, including the most digitally deprived areas. We have committed to donating 61 million GB of free data to the National Databank and invited the rest of the industry to support the programme with additional connectivity.

Financial Review

The following discussion and analysis, which should be read in conjunction with our consolidated financial statements, is intended to assist in providing an understanding of our results of operations and financial condition and is organised as follows:

- **Results of Operations.** This section provides an analysis of our actual or pro forma results of operations, as applicable, for the years ended 31 December 2023 and 2022.
- **Liquidity and Capital Resources.** This section provides an analysis of our corporate and subsidiary liquidity and our consolidated statements of cash flows.
- **Quantitative and Qualitative** Disclosures about Market Risk. This section provides discussion and analysis of the foreign currency, interest rate and other market risks that our Company faces.

Unless otherwise indicated, convenience translations into pound sterling are calculated as of 31 December 2023.

Results of Operations

The discussion presented in this section provides an analysis of our revenue and operating costs (excluding depreciation and amortisation, and share-based compensation expense) for the years ended 31 December 2023, and 2022. Our results are set forth below:

Revenue reconciliation

We derive our revenue from residential and B2B communications services, including mobile, broadband internet, video and fixed-line telephony services.

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of customer relationships or mobile subscribers outstanding during the period and (ii) changes in Average Revenue per User (**ARPU**). Changes in ARPU can be attributable to (a) changes in prices, (b) changes in bundling or promotional discounts, (c) changes in the tier of services selected, (d) variances in subscriber usage patterns and (e) the overall mix of fixed and mobile products during the period.

	Year ended 31 December								
	2023 in millions			2022 in millions			Increase / (decrease) in millions		
	Transaction Adjusted Revenue (g)	Adjustment	Revenue	Transaction Adjusted Revenue (g)	Adjustment	Revenue	Transaction Adjusted Revenue (g)	Adjustment	Revenue
Mobile (a)	**£5,949.3**	**£—**	**£5,949.3**	£5,913.7	£—	£5,913.7	£35.6	£—	£35.6
Handset (a)	**1,521.1**	**—**	**1,521.1**	1,614.6	—	1,614.6	(93.5)	—	(93.5)
Fixed	**3,879.2**	**6.5**	**3,872.7**	3,970.7	17.1	3,953.6	(91.5)	(10.6)	(80.9)
Consumer fixed (b)	**3,325.2**	**—**	**3,325.2**	3,403.0	4.3	3,398.7	(77.8)	(4.3)	(73.5)
Subscription (c)	**3,266.6**	**—**	**3,266.6**	3,334.0	4.3	3,329.7	(67.4)	(4.3)	(63.1)
Other (d)	**58.6**	**—**	**58.6**	69.0	—	69.0	(10.4)	—	(10.4)
B2B fixed (e)	**554.0**	**6.5**	**547.5**	567.7	12.8	554.9	(13.7)	(6.3)	(7.4)
Other (f)	**1,094.7**	**4.0**	**1,090.7**	497.5	4.8	492.7	597.2	(0.8)	598.0
Total	**£10,923.2**	**£10.5**	**£10,912.7**	£10,381.9	£21.9	£10,360.0	£541.3	£(11.4)	£552.7

Table shows the transaction adjusted revenue, less the transaction adjustment giving actual revenue. For further explanation on the revenue streams, please see note 5 to our consolidated financial statements.

(a) Mobile revenue includes amounts received from residential and B2B customers for ongoing services and, amongst other items, revenue from sales of mobile handsets and interconnect revenue. Mobile revenue increased £35.6 million or 0.6% during the year ended 31 December 2023, as compared to the corresponding period in 2022. This increase is primarily due to price increases in April 2023, partially offset by a reduction in lower margin handset sales.

(b) Consumer fixed revenue includes subscription and other revenue for ongoing services and the recognition of deferred installation revenue over the associated contract period. Consumer fixed revenue decreased £73.5 million or 2.2% during the year ended 31 December 2023, as compared to the corresponding period in 2022. This decrease is primarily due to the decrease in subscription revenue of £63.1 million or 1.9% caused by the implementation of price rises being more than offset by the reduction in ARPU reflecting changes in customer mix driven by household spend optimisation predominantly on mid-tier TV and home phone customers.

(c) Consumer fixed subscription revenue includes revenue from subscribers who purchase bundled services at a discounted rate and is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our fixed-line and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period. Additionally, we include revenue from certain SoHo subscribers who pay a premium price to receive expanded service levels that are the same or similar to the mass-marketed products offered to our residential subscribers.

(d) Consumer fixed other revenue includes, amongst other items, channel carriage fees, late fees and revenue from the sale of equipment.

(e) B2B fixed revenue includes (i) revenue from business broadband internet, video and fixed-line telephony services offered to medium to large enterprises and, on a wholesale basis, to other operators and (ii) revenue from long-term leases of portions of our network. B2B fixed revenue decreased £7.4 million or 1.3% during the year ended 31 December 2023, as compared to the corresponding period in 2022.

(f) Other revenue includes primarily revenue from construction management activities provided to nexfibre, amongst other items such as, corporate activities provided to nexfibre the sale of handset insurance policies, SMIP, the provision of ICT services, associated connectivity to O2 business customers, and other services. Other revenue increased £598.0 million or 121.4% during the year ended 31 December 2023, when compared to the corresponding period in 2022. This increase is primarily due to (i) £579.4 million of revenue related to construction managed activities associated with nexfibre, which commenced in the final quarter of the comparative period, and (ii) £37.8 million of revenue in Q3 related to a change in a related-party contract from an ongoing profit share to fixed commissions for sales of handset insurance policies to customers.

(g) The APMs, including 'Transaction Adjusted Revenue', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 33 of the Notes to the Consolidated Financial Statements.

FINANCIAL REVIEW CONTINUED

Profit reconciliation
Most of our revenue is subject to VAT or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our Adjusted EBITDA and Adjusted EBITDA margin (Adjusted EBITDA divided by revenue) to the extent of any such tax increases. As we use the term, "Adjusted EBITDA" is defined as profit (loss) from continuing operations before net income tax (expense) benefit, other non-operating income or expenses, share of results of investments accounted for by the equity method, net finance income (costs), depreciation and amortisation, share-based compensation, impairment, restructuring and other operating items and CTC operating expenses. Share-based compensation for the purposes of calculating Adjusted EBITDA also includes awards granted to our employees that are settled with Liberty Global or Telefónica shares. Opex CTC generally include incremental, third-party operating costs that are directly associated with integration activities, restructuring activities and certain other costs associated with aligning our business processes to derive synergies.

We are subject to inflationary pressures with respect to certain costs. Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

	Year ended 31 December		Increase (decrease)	
	2023	2022		
	actual in millions	in millions	in millions	%
Revenue	**£10,912.7**	10,360.0	£552.7	5.3
Cost of sales	**3,734.5**	3,425.8	308.7	9.0
Personnel expenses	**697.1**	690.4	6.7	1.0
Other expenses	**2,469.0**	2,386.8	82.2	3.4
Opex CTC included in the above	**(83.9)**	(74.6)	9.3	12.5
Adjusted EBITDA[1]	**4,096.0**	3,931.6	164.4	4.2
Transaction Adjustments	**6.3**	(26.2)	(32.5)	(124.0)
Transaction Adjusted EBITDA[1]	**4,102.3**	3,905.4	196.9	5.0
Transaction Adjusted EBITDA[1]	**4,102.3**	3,905.4	196.9	5.0
Transaction Adjustments	**(6.3)**	26.2	32.5	124.0
Adjusted EBITDA[1]	**4,096.0**	3,931.6	164.4	4.2
Opex CTC	**83.9**	74.6	9.3	12.5
Depreciation and amortisation	**3,205.2**	3,553.9	(348.7)	(9.8)
Share-based compensation expense	**24.9**	43.6	(18.7)	(42.9)
Goodwill impairment	**3,107.0**	—	3,107.0	100.0
Restructuring and other operating	**132.2**	62.6	70.3	112.3
Operating (loss) income	**(2,457.9)**	1,96.9	(2,654.8)	(1,348.3)
Finance costs	**(2,829.5)**	(4,022.3)	1,192.8	(29.7)
Finance income	**1,399.9**	4,260.7	(2,860.8)	(67.1)
Share of results of equity method investments	**1.6**	0.7	0.9	128.6
Other income (expense), net	**13.9**	(3.6)	17.5	(486.1)
Income tax benefit (expense)	**229.8**	(7.2)	237.0	(3,291.7)
Net (loss) profit	**£(3,642.2)**	£425.2	£(4,067.4)	(956.6)

1 The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 33 of the Notes to the Consolidated Financial Statements.

FINANCIAL REVIEW CONTINUED

Cost of sales

Cost of sales includes costs of mobile handsets and other devices, programming and copyright costs, interconnect and access costs, and other cost of sales related to our operations. Programming and copyright costs represent a significant portion of our operating costs and are subject to rise in future periods due to various factors, including (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (ii) rate increases.

Our cost of sales increased £308.7 million or 9.0% during the year ended 31 December 2023, as compared to the corresponding period in 2022, primarily due to:

- An increase in other direct costs of £485.2 million or 182.5% primarily driven by construction costs associated with nexfibre, which commenced in the final quarter of the comparative period;
- A decrease in mobile handset and other device costs of £46.3 million or 2.5% primarily driven by a reduction in handset sales.
- A decrease in programming costs of £42.0 million or 5.1% primarily driven by decreased volumes.
- A decrease in mobile, data and voice interconnect and access costs of £88.2 million or 17.1% primarily due to lower MVNO costs, following the migration of Virgin Mobile customers to the O2 network

Other expenses

Other expenses include marketing and other sales costs, network operations, customer services costs, business service costs, impairment and restructuring, share-based compensation and other general expenses.

Our other expenses (exclusive of share-based compensation expense and depreciation and amortisation) increased £82.2 million or 3.4% during the year ended 31 December 2023, as compared to the corresponding period in 2022, primarily due to the net effect of:

- An increase in other expenses of £109.3 million or 42.0% primarily due to (i) an increase in bad debt expense due to increased handset financing sales, and (ii) a one-off release of £30 million following the resolution of a legal matter in the third quarter of 2022;
- An increase in business service costs of £35.2 million or 5.6%, primarily due to increased energy costs as average unit rates increased;
- A decrease in marketing costs of £73.1 million or 22.4%, mainly due to a reduction in advertisements; and
- A decrease in network costs services expenses of £28.5 million or 5.9%, due to transferring nexfibre related operating costs to cost of sales.

Personnel expenses

Personnel expenses include salary and payroll costs, commissions, incentive compensation costs, deferred labour and contingent labour.

Our personnel expenses increased £6.7 million or 1.0% during the year ended 31 December 2023, as compared to the corresponding period in 2022.

Adjusted EBITDA[1]

Adjusted EBITDA increased by 4.2% or £164.4 million to £4,096.0 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. These increases are primarily due to (i) growth in revenue driven by (a) the implementation of price rises, (b) £37.8 million of revenue from a change in a related-party contract, (c) the commencement of nexfibre activity, which did not occur in the comparative periods, and (ii) the realisation of synergy cost efficiencies, partially offset by increased energy costs and a oneoff release of £30 million following the resolution of a legal matter in the third quarter of 2022.

Opex CTC

Opex CTC increased by 12.5% or £9.3 million to £83.9 million during the year ended 31 December 2023, as compared to the corresponding period in 2022.

Depreciation and amortisation

Depreciation and amortisation decreased by 9.8% or £348.7 million to £3,205.2 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. These decreases are primarily due to assets being fully written down during in the period.

Share-based compensation expense

Share-based compensation expense decreased by 42.9% or £18.7 million to £24.9 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. This decrease was primarily due to a one-off expense release in the current quarter to bring in line with the latest performance expectations.

Goodwill impairment

There was a goodwill impairment expense of £3,107.0 million during the year ended 31 December 2023. This is largely driven by a decline in projected cash flows resulting from the effects of the broader macroeconomic environment in the UK and an increase in weighted average cost of capital (discount rate) against a backdrop of rising interest rates through the year. There was no goodwill impairment expense in the corresponding period in 2022.

Restructuring and other operating items

Restructuring and other operating items, excluding goodwill impairment, increased by 111.2% or £69.6 million to £132.9 million during the year ended 31 December 2023, as compared to the corresponding period in 2022, primarily due to increases in planned restructuring programmes in 2023.

Operating loss

The reported operating loss of £2,457.9 million during the year ended 31 December 2023 (year ended 31 December 2022 operating income: £196.9 million) was primarily due to an impairment of goodwill which did not occur in the corresponding period in 2022.

1 The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 33 of the Notes to the Consolidated Financial Statements.

FINANCIAL REVIEW CONTINUED

Finance costs and income

Finance costs decreased by 29.7% or £1,192.8 million to £2,829.5 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. This decrease is primarily due to significant foreign exchange losses in the comparative period, as a result of weakening of the pound against the dollar.

Finance income decreased by 67.1% or £2,860.8 million to £1,399.9 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. This decrease is primarily due to significant derivative gains in the comparative period.

Share of results of equity investments

Share of results of equity investments increased by 128.6% or £0.9 million to £1.6 million during the year ended 31 December 2023, as compared to the corresponding period in 2022.

Other income (expense), net

Other income increased by 486.1% or £17.5 million to £13.9 million during the year ended 31 December 2023, as compared to the corresponding period in 2022.

Income tax benefit (expense)

Income tax benefit (expense) increased by 3,291.7% or £237.1 million to £229.9 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. The change from expense to benefit is primarily driven by the significant loss before tax, partly offset by the non-deductible goodwill impairment made in the current year.

Net loss

There was a net loss £3,642.2 during the during the year ended 31 December 2023, as compared to the corresponding period in 2022. The net loss was primarily due to an impairment of goodwill which did not occur in the corresponding period in 2022.

Liquidity and Capital Resources

a) Sources and Uses of Cash

i) Cash and cash equivalents

At 31 December 2023, we had cash and cash equivalents of £875.6 million, all of which was held by our subsidiaries. The terms of the instruments governing the indebtedness of certain of these subsidiaries may restrict our ability to access the liquidity of these subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax, legal considerations and other factors.

ii) Liquidity of VMED O2

Our sources of liquidity at the parent level include, subject to the restrictions noted above, proceeds in the form of (i) distributions or loans from our subsidiaries and (ii) contributions or loans from VMED O2 UK Limited. It is the intention of the Shareholders that the Joint Venture, and by extension VMED O2, will be a self-funding company capable of financing its activities on a stand-alone basis without recourse to either Shareholder.

The ongoing cash needs of VMED O2 include corporate general and administrative expenses and fees associated with the JV Service Agreements. From time to time, VMED O2 may also require cash in connection with (i) the repayment of outstanding debt and related-party obligations (including the repurchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions), (ii) the funding of dividends or distributions to our immediate parent, VMED O2 UK Limited, to in turn fund dividends or distributions by VMED O2 UK Limited pursuant to the Shareholders Agreement, (iii) the satisfaction of contingent liabilities or (iv) acquisitions and other investment opportunities.

iii) Liquidity of our subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of our operating subsidiaries are cash provided by operations and any borrowing availability under the VMED O2 Credit Facilities. For details of the borrowing availability of the VMED O2 Credit Facilities, see note 15 to our consolidated financial statements.

The liquidity of our operating subsidiaries generally is used to fund (i) property, plant and equipment additions, (ii) debt service requirements and (iii) other liquidity requirements that may arise from time to time, as well as to settle certain obligations that are not included in our 31 December 2023 consolidated statement of financial position. In this regard, we have significant commitments related to (a) purchases of customer premise and other equipment and services, (b) network and connectivity commitments and (c) programming contract and other items. These obligations are expected to represent a significant liquidity requirement of our Company, the majority of which is due over the next 12 to 24 months. For additional information regarding our commitments, see note 30 to our consolidated financial statements.

For additional information regarding our consolidated cash flows, see the discussion under *Consolidated Statements of Cash Flows* below. Our subsidiaries may also require funding in connection with (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to VMED O2 UK Limited. No assurance can be given that any external funding would be available to our subsidiaries on favourable terms, or at all.

b) Capitalisation

At 31 December 2023, the outstanding principal amount of our consolidated debt, together with of our lease obligations, aggregated £21.7 billion, including £3.5 billion that is classified as current in our consolidated statement of financial position, £5.2 billion due before 2028 and £13.0 billion that is not due until 2029 or thereafter. For additional information regarding our debt and lease maturities, see notes 15 and 16, respectively, to our consolidated financial statements.

As further discussed under *Quantitative and Qualitative Disclosures about Market Risk* below and in notes 18 and 19 to our consolidated financial statements, we use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

1 The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 33 of the Notes to the Consolidated Financial Statements.

FINANCIAL REVIEW CONTINUED

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase our Adjusted EBITDA[1] and to achieve adequate returns on our property, plant and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based leverage covenants contained in our various debt instruments. In this regard, if our Adjusted EBITDA[1] were to decline, our ability to obtain additional debt could be limited. We do not anticipate any non-compliance with respect to any of our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

Notwithstanding our negative working capital position at 31 December 2023, we believe that we have sufficient resources to repay or refinance the current portion of our debt and lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities.

All of our consolidated debt and lease obligations at 31 December 2023 have been borrowed or incurred by our subsidiaries or our joint operation, CTIL. For additional information concerning our debt and lease obligations, see notes 15 and 16, respectively, to our consolidated financial statements.

Consolidated Statement of Cash Flows

Summary.

Our summarised consolidated statement of cash flows for the years ended 31 December 2023 and 2022 is set forth below (in millions):

	Year ended 31 December	
	2023 in millions	**2022 in millions**
Net cash provided by operating activities	**£2,679.1**	£2,953.4
Net cash used by investing activities	**(1,091.0)**	(1,455.1)
Net cash provided by financing activities	**(1,195.2)**	(1,358.2)
Effect of exchange rate changes on cash and cash equivalents	**(7.3)**	3.4
Net decrease in cash and cash equivalents and restricted cash	**£385.6**	£143.5

Operating Activities.

The net cash provided by our operating activities for the year ended 31 December 2023 is primarily attributable to our Adjusted EBITDA2 and related working capital items. See the Consolidated Statement of Cash Flows on page 107 for further information.

Investing Activities.

The net cash used by our investing activities for the year ended 31 December 2023 is primarily attributable to capital expenditures and net advances to related parties. See the Consolidated Statement of Cash Flows on page 107 for further information.

Financing Activities.

The net cash used by our financing activities during the year ended 31 December 2023 is primarily attributable to the net effect of (i) cash used of £1,680.3 million related to net repayments of third-party debt and lease obligations, (ii) cash received of £9.1 million related to derivative instruments and (iii) dividends paid of £2,000.0 million. See the Consolidated Statement of Cash Flows on page 107 for further information.

The capital expenditures we report in our consolidated statements of cash flows do not include amounts that are financed under capital-related vendor financing or lease arrangements. Instead, these amounts are reflected as non-cash additions to our property, plant and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In this discussion, we refer to (i) our capital expenditures as reported in our consolidated statements of cash flows, which exclude amounts financed under capital-related vendor financing or lease arrangements, and (ii) our total property, plant and equipment and intangible asset additions, which include our capital expenditures on an accrual basis and amounts financed under capital-related vendor financing or lease arrangements. For further details regarding our property, plant and equipment and intangible asset additions, see note 11 to our consolidated financial statements. A reconciliation of our consolidated property, plant and equipment and intangible asset additions to our consolidated capital expenditures, as reported in our consolidated statement of cash flows for the years ended 31 December 2023 and 2022 is set forth below (in millions):

	Year ended 31 December	
	2023 in millions	**2022 in millions**
Property, plant and equipment and intangible asset additions	**£2,211.7**	£2,408.0
Assets acquired under capital-related vendor financing arrangements	**(716.7)**	(759.9)
Assets acquired under leases	**(117.5)**	(100.6)
Changes in current liabilities related to capital expenditures, net	**59.1**	(25.3)
Capital expenditures, net[1]	**£1,436.6**	£1,522.2

Our property, plant and equipment and intangible asset additions during the year ended 31 December 2023 includes (i) investments in network capacity, technology facilities and information technology-related projects, (ii) expenditures for new build and upgrade projects and (iii) baseline expenditures, including network improvements and expenditures for property and facilities and information technology.

1 The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 33 of the Notes to the Consolidated Financial Statements.

FINANCIAL REVIEW CONTINUED

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in the normal course of our business operations due to our ongoing investing and financing activities. Market risk refers to the risk of loss arising from adverse changes in foreign currency exchange rates and interest rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future profits. As further described below, we have established policies, procedures and processes governing our management of market risks and the use of derivative instruments to manage our exposure to such risks.

Cash

We invest our cash in highly liquid instruments that meet high credit quality standards. At 31 December 2023, £236.4 million or 97.2%, £4.3 million or 1.8% and £2.4 million or 1.0% of our consolidated cash balances were denominated in pounds sterling, US dollars and euros, respectively.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk with respect to our consolidated debt in situations where our debt is denominated in U.S. dollars and euros. Although we generally match the denomination of our and our subsidiaries' borrowings with our functional currency, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in our functional currency (unmatched debt). In these cases, our policy is to provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At 31 December 2023 substantially all of our debt was either directly or synthetically matched to our functional currency. For additional information concerning the terms of our derivative instruments, see note 19 to our consolidated financial statements.

Currently, the UK is facing various macro-economic pressures, including financial and political challenges, that have impacted the broader UK economy, valuation of the local currency, interest rates and inflationary pressures. In addition to the exposure that results from the mismatch of our borrowings and our functional currency, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our functional currency (non-functional currency risk), such as equipment purchases, programming contracts, notes payable and notes receivable (including intercompany amounts) and certain services provided by our Shareholders. Changes in exchange rates with respect to amounts recorded in our consolidated statements of financial position related to these items will result in unrealised (based upon period-end exchange rates) or realised foreign currency transaction gains and losses upon settlement of the transactions.

Moreover, to the extent that our revenue, costs and expenses are denominated in currencies other than our functional currency, we will experience fluctuations in our revenue, costs and expenses solely as a result of changes in foreign currency exchange rates. Generally, we will consider hedging non-functional currency risks when the risks arise from agreements with third parties that involve the future payment or receipt of cash or other monetary items to the extent that we can reasonably predict the timing and amount of such payments or receipts and the payments or receipts are not otherwise hedged. In this regard, we have entered into foreign currency forward and option contracts to hedge certain of these risks. For additional information concerning our foreign currency forward and option contracts, see note 18 to our consolidated financial statements.

The relationships between (i) the euro and (ii) the US dollar and the pound sterling, which is our reporting currency, are shown below, per one pound sterling:

	31 December	
Spot rates:	**2023**	**2022**
Euro	**1.1535**	1.1296
U.S. dollar	**1.2763**	1.2099

	Year ended 31 December	
Average rates:	**2023**	**2022**
Euro	**1.1500**	1.1733
U.S. dollar	**1.2438**	1.2190

Inflation Risk

We are subject to inflationary pressures with respect to labour, programming and other costs. While we attempt to increase our revenue through price increases to customers to offset increases in costs, there is no assurance that we will be able to do so. Therefore, costs could rise faster than associated revenue, thereby resulting in a negative impact on our operating results, cash flows and liquidity. The economic environment in the UK is a function of government, economic, fiscal and monetary policies and various other factors beyond our control that could lead to inflation. We are unable to predict the extent that price levels might be impacted in future periods by the current state of the economy in the UK

FINANCIAL REVIEW CONTINUED

Interest Rate Risk

We are exposed to changes in interest rates primarily as a result of our borrowing activities, which include fixed-rate and variable-rate borrowings by our subsidiaries. Our primary exposure to variable-rate debt is through our SONIA-indexed, LIBOR-indexed and EURIBOR-indexed VMED O2 Credit Facilities.

In general, we enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt. Accordingly, we have entered into various derivative transactions to manage exposure to increases in interest rates. We use interest rate derivative contracts to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional principal amount. We also use interest rate cap agreements and swaptions to lock in a maximum interest rate if variable rates rise, but also allow our Company to benefit from declines in market rates. Under our current guidelines, we use various interest rate derivative instruments to mitigate interest rate risk, generally for the full term of the underlying variable-rate debt. In this regard, we use judgement to determine the appropriate composition and maturity dates of our portfolios of interest rate derivative instruments, taking into account the relative costs and benefits of different maturity profiles in light of current and expected future market conditions, liquidity issues and other factors. For additional information concerning the impacts of these interest rate derivative instruments, see note 19 to our consolidated financial statements.

For additional information concerning the phasing out of LIBOR, see The phasing out of LIBOR will result in a new reference rate being applied to our LIBOR indexed, which may not be the same as the new reference rate applied to our LIBOR-indexed derivative instruments, and will have to be adjusted for, within the Principal Risks and Uncertainties section below.

Weighted Average Variable Interest Rate.

At 31 December 2023, the outstanding principal amount of our variable-rate indebtedness aggregated £7.3 billion and the weighted average interest rate (including margin) on such variable-rate indebtedness was approximately 7.6%, excluding the effects of interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Assuming no change in the amount outstanding, and without giving effect to any interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, a hypothetical 50 basis point (0.50%) increase (decrease) in our weighted average variable interest rate would increase (decrease) our annual consolidated interest expense and cash outflows by £36.5 million. As discussed above and in note 19 to our consolidated financial statements, we use interest rate derivative contracts to manage our exposure to increases in variable interest rates. In this regard, increases in the fair value of these contracts generally would be expected to offset most of the economic impact of increases in the variable interest rates applicable to our indebtedness to the extent and during the period that principal amounts are matched with interest rate derivative contracts.

In addition to the above, we are also exposed to modest, predetermined interest rate adjustments as a result of the achievement or non-achievement of ESG linked metrics contained within certain sustainability linked VMED O2 Credit Facilities. These ESG metrics are primarily related to the reduction of Scope 1 and Scope 2 emissions in line with our pathway to net zero across our operations, products and supply chain by 2040.

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments, cash holdings and undrawn debt facilities will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments and undrawn debt facilities is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under the derivative instruments. Most of our cash currently is invested in either (i) AAA credit rated money market funds, including funds that invest in government obligations, or (ii) overnight deposits with banks having a minimum credit rating of A by Standard & Poor's or an equivalent rating by Moody's Investor Service. To date, neither the access to nor the value of our cash and cash equivalent balances have been adversely impacted by liquidity problems of financial institutions.

At 31 December 2023, our exposure to counterparty credit risk included (i) derivative assets with an aggregate fair value of £567.9 million, (ii) aggregate undrawn debt facilities of £1,548.8 million and (iii) cash and cash equivalents and restricted cash of £919.0 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in the event of an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty.

FINANCIAL REVIEW CONTINUED

Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations, financial condition and or liquidity.

Although we actively monitor the creditworthiness of our key vendors, the financial failure of a key vendor could disrupt our operations and have an adverse impact on our revenue and cash flows.

Sensitivity Information

Information concerning the sensitivity of the fair value of certain of our more significant derivative instruments to changes in market conditions is set forth below. The potential changes in fair value set forth below do not include any amounts associated with the remeasurement of the derivative asset or liability into the applicable functional currency. For additional information, see notes 19 and 20 to our consolidated financial statements.

Cross-currency and Interest Rate Derivative Contracts

Holding all other factors constant at 31 December 2023:

(i) an instantaneous increase / (decrease) of 10% in the value of the pound sterling relative to the US dollar would have decreased / (increased) the aggregate fair value of our cross-currency and interest rate derivative contracts by approximately £1,053.0 million;

(ii) an instantaneous increase / (decrease) of 10% in the value of the pound sterling relative to the euro would have decreased / (increased) the aggregate fair value of our cross-currency and interest rate derivative contracts by approximately £382.2 million; and

(iii) an instantaneous increase / (decrease) in the relevant base rate of 50 basis points (0.50%) would have (decreased) / increased the aggregate fair value of our cross-currency and interest rate derivative contracts by approximately £183.6 million.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments. The pound sterling equivalents presented below are based on interest rate projections and exchange rates as of 31 December 2023. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts required in future periods. For additional information regarding our derivative instruments, see notes 18 and 19 to our consolidated financial statements.

	Year ended 31 December						
£m	**2024 in millions**	**2025 in millions**	**2026 in millions**	**2027 in millions**	**2028 in millions**	**Thereafter in millions**	**Total in millions**
Projected derivative cash payments (receipts), net:							
Interest-related[(a)]	£67.2	£71.4	£91.8	£102.7	£8.6	£(32.9)	£308.8
Principal-related[(b)]	–	19.2	–	22.1	(103.5)	(55.7)	(117.9)
Other[(c)]	(0.3)	–	–	–	–	–	(0.3)
Total	**£66.9**	**£90.6**	**£91.8**	**£124.8**	**£(94.9)**	**£(88.6)**	**£190.6**

(a) Includes (i) the cash flows of our interest rate cap, floor, swaption and swap contracts and (ii) the interest-related cash flows of our cross-currency and interest rate swap contracts.
(b) Includes the principal-related cash flows of our cross-currency swap contracts.
(c) Includes amounts related to our foreign currency forward contracts.

Non-Financial and Sustainability Information Statement

Following the launch of our first sustainability strategy, the Better Connections Plan last year, we concentrated our efforts in 2023 on making progress against our established ambitions and targets.

The Better Connections Plan centres on the areas where we believe we can make the greatest positive impact through our products, services and digital know-how, underscoring our ambition to help create an inclusive, connected and decarbonised society:

a. A **zero carbon** future sets out our net zero pathway and how technology can support the shift to a zero carbon UK.
b. A **circular economy** aims to raise awareness of e-waste and find ways to boost circularity in our operations.
c. **Connected communities** addresses our responsibility to tackle data poverty and equip disconnected people with essential digital skills.
d. **A better way to do business** emphasises ethical and equitable business conduct, ensuring these principles are also adopted in our supply chain.

We partner with a number of expert organisations who provide independent, specialist advice and ensure we are acting in line with best practice and taking targeted and informed action.

In addition to our existing collaborations with charities on issues including carbon, e-waste and digital exclusion, in September 2023 we signed a new partnership with Business Fights Poverty to examine ways in which our technology and services can help drive equity and build resilience.

Our strategy supports a number of the United Nation's Sustainable Development Goals (**SDG**s), including climate action, responsible consumption and production, and gender equality.

This sustainability information statement reflects our wide-ranging sustainability aims and 2023 activity. More detail on ESG issues can be found in our Sustainability Performance Update, our Streamlined Energy and Carbon Report (**SECR**) on page 56 and Task Force on Climate-Related Financial Disclosures (**TCFD**) section on page 58. The TCFD section in this report complies with the Companies Act Climate Related Financial Disclosures (**UK-CFD**) requirements. Corporate statements covering issues including modern slavery, human rights, fair pay and the gender pay gap are also available.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

Sustainability Governance

While our Better Connections Plan sets out a blueprint for managing our most material issues, coupled with stretching 2025 goals, we manage our day-to-day impacts and risks through our over-arching company risk management processes. ESG risks are included in our principal risks and uncertainties, see "Our Risk" on page 77 for further information. Since 2022, climate risk has been classified as a priority risk, with our 2023 TCFD statement providing further information about how we identify and manage our physical and transition climate risks and opportunities.

Strategic steering committees

We've established three expert Steering Committees - Environment; Social Impact; and Diversity, Equity and Inclusion - to oversee our Better Connections Plan and monitor progress against goals and targets. The committees are each sponsored by a member of our EMT and composed of subject matter experts. Periodic updates are provided to Virgin Media O2's Board, Audit Committee and EMT, ensuring senior oversight of our sustainability endeavours.

Youth Advisory Council

In addition to our Steering Committees, we also draw on the views and perspectives of our Youth Advisory Council to help guide our strategy. The Council is composed of five Gen Z young adults (16-24 years old) from across our business, who make sure the voices of the next generation can play a part in shaping a sustainable future.

Environmental compliance

We are certified to the best practice Environmental Management System (**EMS**) ISO14001. Annual audits review our governance, management systems, and resources, and check that we are taking action on our primary environmental impacts and developing appropriate plans and targets. In setting targets, we take a science-based approach, in line with the 1.5°C critical threshold beyond which the impacts of climate change are expected to become increasingly severe.

Our policies and processes

Our company policies and processes operationalise responsible business in our day-to-day behaviour and help maintain the highest levels of integrity and ethical conduct:

a. **Environment Policy:** Documenting the principles and commitments that govern how we manage our key impact areas, our policy details how we minimise the environmental impact of our operations and leverage our products and services to enable environmental benefits.
b. **Human rights statement:** In 2023, we published a Virgin Media O2 Human Rights statement which outlines how we uphold and respect internationally recognised human rights in our own operations and wider business relationships.
c. **Business ethics:** As a responsible business, we are committed to conducting our operations with integrity and fairness. Our Code of Conduct sets out our commitment to doing the right thing, maintaining the highest ethical and legal standards, and the expected behaviours of anyone who works on behalf of Virgin Media O2.
d. **Anti-Bribery and Corruption (ABC) Policy:** Our Code of Conduct is supported by our ABC policy which establishes our approach in complying with the requirements of the UK Bribery Act and the US Foreign Corrupt Practices Act. The Policy provides guidance on what constitutes a bribe and prohibits the giving or receiving of any excessive or improper gifts and hospitality. Our EMT has a zero-tolerance approach to bribery or corruption.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

Our Anti-Bribery and Corruption framework

At Virgin Media O2, we operate a risk-based ABC framework aligned to the Ministry of Justice's Six Principles for the prevention of bribery by commercial organisations. The framework has continued to evolve to further enhance our ABC control framework in response to the themes identified in the independent ABC risk assessment that was conducted during 2022. The key areas are:

Ministry of Justice Principle	Key update
Top Level Commitment	Our Executive Management Team takes a 'zero-tolerance' approach to bribery and corruption. In support of this commitment: • Each member of the Executive and Senior Leadership Team is required to complete a Director's Governance Statement to confirm their understanding and compliance with the requirements of the Code of Conduct and ABC Policy. • Our Code of Conduct and ABC Policies demonstrate our commitment to maintaining the highest ethical standards and are published on our Virgin Media O2 website. Our Audit Committee provides oversight of the EMT in fulfilling their duties in regards to ABC risk management and policy compliance.
Risk Assessment	We assess the nature and extent of our exposure to potential internal and external risks of bribery. A key priority during 2023 has been the continued maturity of the ABC control framework to address the potential bribery and corruption risks identified. The Executive Management Team were actively engaged and provided with assurance over the key internal and external bribery risks in relation to customers, markets, and activities of our business.
Proportionate Procedures	We have continued to develop and embed a range of bribery prevention procedures in mitigation of the risks identified during the risk assessment process. The Virgin Media O2 principal ABC risk categories and mitigation measures are: • Employee Incentives: A new Incentives Policy with a supporting governance framework was established during 2023 to ensure employee schemes are designed, approved and monitored in alignment with our Code of Conduct and regulatory responsibilities. • Gifts and Hospitality: pre-approval and reporting tools are in place, including restrictions in relation to public sector officials or activity during commercial negotiations. • Charitable Donations: A new Charitable Giving policy has been launched, which includes establishing a new due diligence review and control process in support of our ethical approach to charitable giving. • Working with Third Parties: Suppliers and other parties working on behalf of Virgin Media O2 are required to comply with the requirements of our Supplier Code of Conduct. Risk-based procedures are also undertaken to identify and mitigate the risk of bribery and corruption by those organisations who perform services on our behalf. • Winning and retaining business: Our Business Sales Teams are required to complete mandatory Code of Conduct training as well as complete an ABC attestation for every commercial arrangement to confirm they are aware of and have followed Gifts and Hospitality and Speak-up reporting processes. • Business acquisition and integration: Anti-bribery pre and post due diligence is undertaken on a target company. Following acquisition, the Virgin Media O2 Code of Conduct and ABC policy, reporting and training frameworks are implemented with the employees of the newly acquired entity.
Communication and Training	At Virgin Media O2, we seek to ensure that our Code of Conduct and ABC Policy and procedures are embedded and understood across the whole organisation. This includes: • All colleagues are required to complete our Code of Conduct Compliance Learning module during their induction and as a refresher on an annual basis. • Our Code of Conduct completion rate for all employees for 2023 to the nearest percent was 100%, compared to 98% in 2022. • Launching a new 'one-stop' Compliance and Ethics intranet site where employees can obtain further guidance on our key ABC controls including gifts and hospitality, conflicts of interest and incentives.
Compliance Monitoring	At Virgin Media O2, we have a dedicated and specialised Compliance and Ethics Team who are responsible for the day-to-day management of our ABC monitoring program. Our Compliance programme provides assurance over the key requirements of our ABC control framework including supplier due diligence, conflicts of interest, charitable donations review and approval and gifts and hospitality screening.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

Better Connections Plan framework

What	Zero carbon future	A circular economy	Connected communities	Underpinned by a better way to do business
Why	We are in the midst of a climate and ecological emergency. We believe that technology can play a crucial role in facilitating the shift to a zero carbon future.	We will embed principles of circularity into everything we do and champion the reduction of e-waste - the fastest-growing waste stream in the world.	We have a responsibility to help tackle the inequalities brought about by the deepening digital divide, and are determined to ensure that our services are accessible to all.	We want to make sure that our business operates in a fair, ethical way and that we become a leading, inclusive employer and a great place to work.
How	We are committed to achieving net zero carbon emissions across our entire value chain by the end of 2040. We are empowering customers to prevent 20 million tonnes of CO_2 from entering the Earth's atmosphere and we will support large-scale decarbonisation by the end of 2025.	We are committed to achieving zero waste operations and products by the end of 2025. We will help consumers to carry out 10 million circular actions to tackle e-waste by the end of 2025.	We are committing to help eradicate data poverty by connecting 1 million digitally excluded people across the UK by the end of 2025. We are working to equip 6 million people with skills and tools to help them feel more connected to our digital society by the end of 2025. We are supporting 1 million people through our 'Take Five' day employee volunteering programme by 2025.	We are working to achieve gender parity and improve representation from underrepresented ethnic backgrounds to 15% across our wider leadership team, and to 25% across our entire business by 2027. We are making sure all our major purchases commit contractually to defined sustainability requirements and aligned carbon-reduction goals.
Related SDGs	11 Sustainable cities and communities 12 Responsible consumption and production 13 Climate action	11 Sustainable cities and communities 12 Responsible consumption and production	4 Quality education 9 Industry, innovation and infrastructure 10 Reduced inequalities 17 Partnerships for the goals	5 Gender equality 10 Reduced inequalities 12 Responsible consumption and production 17 Partnerships for the goals

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

Environmental

Zero carbon future

Targets	2023 Progress
Achieve net zero carbon emissions across our entire value chain by end of 2040.	**Net zero operations:** 45% reduction in Scope 1 & 2 (market based) against 2020 baseline. **Fleet transition:** 7% of fleet is electric powered (vehicles that require a plug-in charge).
Empower customers to prevent 20 million tonnes of CO_2 from entering the Earth's atmosphere and support large-scale decarbonisation by the end of 2025.	**Achieved.** Since 2022, our products and services have enabled the avoidance of 59.3 million tonnes of carbon.

The UN is warning of a climate breakdown after the record heat of this summer led to unprecedented wildfires and heatwaves, with worsening weather extremes witnessed around the world during the year - inflicting untold harm on vulnerable communities and natural ecosystems. Concerted and radical action will be essential if global temperature rise is to be limited to 1.5°C.

Against this backdrop, we are more conscious than ever of our responsibilities to take ambitious climate action. We are informed by the most up-to-date scientific thinking, we join forces with expert organisations, and we employ best practice methodologies: these are our guideposts for supporting a collective shift towards decarbonisation – with a stated target to become net zero across our value chain by 2040.

Biodiversity and natural capital

While climate and circularity are the primary environmental issues driving our Better Connections Plan, we manage the full range of our environmental impacts and take a range of actions to mitigate any risks to nature that our operations may pose. We know that a changing climate is intrinsically interconnected with the Earth's ecosystems and that extreme weather events impact natural resources in countless ways.

We respect biodiversity and take precautionary measures during mast construction, locating infrastructure outside protected areas whenever possible, consulting local communities, and taking necessary corrective measures. Our construction complies with all planning legislation including undertaking environmental impact assessments where applicable, and the mobile industry's code of practice for wireless network development.

Net zero pathway

To keep us on track to meet our 2040 net zero target, we've established 2025 near-term targets to reduce operational emissions by 60% and Scope 3 emissions by 20%. We remain on a science-based target pathway and on course for our 2025 target to reduce operational (Scopes 1 and 2) emissions by 60%, with a 45% reduction on our 2020 baseline and 23% reduction versus the 2022 position. During 2023, we undertook some analysis to widen the scope of our Scope 3 reporting and will publish the outcome of our work when it's completed.

Our near and long-term carbon targets have been approved by the Science-Based Targets initiative (**SBTi**) - a global body that helps businesses set ambitious emissions reductions targets in line with the latest climate science. Our targets were judged to meet all criteria in terms of timeframe, emissions coverage, and ambition. Additionally, we are certified an 'Advancing' organisation by the Carbon Trust's 'Route to Net Zero' standard, signifying that we have a science-aligned reduction target; are making science-aligned reductions in emissions; and are employing advancing CO_2e (carbon dioxide equivalent) management practices.

Energy efficient operations

Making sure our business is as energy efficient as possible is a critical component of our net zero pathway, particularly since our overall energy demands increase as more customers connect to our more energy-intensive 5G products and services. This has included procuring more efficient equipment and putting energy consumption as a key decision factor in all business cases. We are continuing our programme of decommissioning the legacy fixed line voice equipment and delivering XGS-PON technology on our full fibre network. XGS-PON uses a passive optical network so energy consumption will be lower in the future.

Renewable energy

We source 100% of renewable energy at sites where we control the bill. At third-party sites, we continue to encourage landlords to transition to renewable energy, with 1,129 masts decarbonised during 2023. Where we're not able to procure green energy supply at a mast site, we purchase a proportion of unbundled Renewable Energy Guarantees of Origin certificates (**REGO**s), which evidence that electricity has been generated from renewable sources.

Electrifying our fleet

During the year, we increased our electric fleet to 281 electric vehicles (**EV**s) into our fleet in our bid to transition 100% to EVs by 2030. This equates to approximately 7% of our total fleet. We have seen continued challenges in the transition to electric vehicles, including sourcing, supply chain constraints and increased vehicle costs. Despite these challenges to transition, we have seen an approximate 6% reduction in fleet emissions versus last year and expect to see further reductions attributable to operational efficiency.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

Digital solutions enabling carbon emissions reductions

As a technology company, we can use our assets and expertise to help other industries accelerate their own decarbonisation shift. In 2022, we met our original Better Connections Plan target of preventing 20 million tonnes of carbon entering the Earth's atmosphere, following a change in how we calculated the carbon savings delivered by the use of our products and services. In 2023, our products and services enabled the avoidance of 29.9 million tonnes of carbon.

However, there is more to do in understanding the net environmental gains of digital solutions across different sectors. We support Telefónica's ongoing involvement with the European Green Digital Coalition (**EGDC**), which is developing a science-based, industry-wide approach to the measurement of carbon avoidance.

New tools helps businesses cut carbon

In October 2023, Virgin Media O2 Business launched a new Carbon Calculator that provides customers with the carbon impact of their telecommunications services. The calculator is free to use and generates insights in minutes, providing business leaders with the information they need to better measure, manage and reduce their carbon footprint. The model behind the calculators has been verified by the Carbon Trust as conforming to the Greenhouse Gas Protocol Product Lifecycle Standard.

A circular economy

Targets	2023 Progress
Achieve net zero waste operations and products by the end of 2025	We have made progress by recycling 4,503 metric tonnes of waste from a total of 5,622 metric tonnes produced. And 80.1% of total operational waste was recycled.
Help consumers carry out 10 million circular actions to tackle e-waste by the end of 2025	2.2 million circular actions taken during 2023 with 4.7 million circular actions taken by our customers since 2022.

E-waste is a harmful, and fast-growing, environmental issue. Disproportionately affecting developing countries, where e-waste is often illegally shipped, some 53.6 million tonnes of e-waste is produced every year worldwide. However, only 17% of e-waste is collected, leading to the loss of significant amounts of precious metals and the discharge of poisonous chemicals into soil, release of toxic fumes into the atmosphere, and the contamination of waterways.

That's why we've made circularity a core pillar of our Better Connections Plan. We're determined to embed circularity into every stage of our operations and product development and make it easy for our customers to reuse, recycle, repair and dispose responsibly of their devices and electronic products.

Zero waste operations and products

Within our operations, we're committed to improving recycling rates by ensuring at least 95% of operational waste is recycled and less than 5% goes to incineration by 2025. We have achieved recycling rates of 80.1% in 2023 and are working closely with stakeholders to pursue opportunities to improve this going into 2024.

We have set a goal for 100% of customer packaging for own-branded products to be widely recyclable and contain no single-use plastic by 2025. We employ sustainable design principles which means that any new customer products are assessed for environmental impact at the development stage. We have taken action to minimise the plastics and packaging required to make and sell our products and services. We are working towards delivering our fixed network products to customers in plastic-free packaging, and our O2 and giffgaff SIM cards are made from recycled plastic. In 2023, we developed a reporting metric for our zero-waste products goal in relation to our fixed-line products and calculated a 2022 baseline for the target. We have since removed 6.5 tonnes of plastic packaging from products within our supply chain.

Helping consumers take circular actions

Creating the right conditions to help a circular economy thrive helps to address the environmental issues of resource depletion and waste generation. At Virgin Media O2, we offer a number of schemes that encourage circular behaviours and make it simpler for consumers to choose sustainable solutions. Customers can repair their phone; buy refurbished devices; recycle their devices; check the environmental credentials of their handset; or give their old tech a second life by re-homing devices.

a. With **O2 Recycle**, customers can reduce their carbon impact and get money back. Since the initiative began in 2009, O2 Recycle has paid out more than £320 million to customers and diverted 3.9 million devices from landfill. Nine out of ten of the devices received are refurbished and resold through our 'Like New' initiative: a refurbished device, according to the Global System for Mobile Communications Associations (**GSMA**), has an 87% lower climate impact than a newly manufactured alternative. The remainder are broken down for raw materials. In 2023, nearly 200,000 devices were returned by customers via O2 Recycle and Virgin Mobile Recycle.

b. With new figures revealing that UK businesses have accumulated over 12 million unused mobile phones and tablets, we relaunched **O2 Recycle for Business** in October 2023, making it easier for companies of all sizes to sustainably dispose of their unwanted devices. Companies can recycle their phones and tablets in five simple steps, in return receiving credit to buy new devices or they can opt to donate up to 100% of the proceeds to our digital inclusion charity partner, Good Things Foundation.

c. **Eco Rating** is an independent, industry-wide standard that helps customers evaluate the impact their mobile phone has on the environment by giving them a total score out of 100. The closer the score is to 100, the better the sustainability performance of the device. In 2023, we highlighted Eco Rating scores to all applicable devices on our online product pages.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

Using tech, time after time

Our e-waste eco fund, Time after Time, established in partnership with environmental charity Hubbub, awards grants from £25,000 to £100,000 to the most innovative programmes, initiatives and campaigns that inspire behaviour change on digital exclusion and e-waste.

Winners from our first round of grants include The Warren Youth Project where young people hone their tech repair skills; Restart project which aims to reduce e-waste in Universities; and Youth & Community Connexions who run education campaigns, co-designed with young people, about e-waste. 2023 winners will be announced in March 2024.

New report highlights young people's attitudes to e-waste

As part of our mission to tackle e-waste, we're launching consumer education and awareness campaigns to demystify e-waste, reduce hoarding and give electronics a second life. Our Time After Time e-waste report, developed in partnership with Hubbub and environmental think tank Green Alliance, examines Gen-Z's perspectives on the issue of e-waste and highlights a series of recommendations to drive behavioural change.

Research found that, with 17.5 million unused phones and tablets stashed away in UK homes, many young people lack understanding about what e-waste is, but that Gen Z is the most likely generation to take positive actions on electronic waste – with the right support from business and policymakers. See our research for further information.

University Hackathons

In a further bid to generate new ideas about how to tackle the problems of e-waste, we joined forces with Hubbub to run a series of University Hackathons during 2023. Students at Manchester Metropolitan University, University of Dundee, University of Swansea, University College London, University of Warwick and Plymouth University were challenged to come up with ways to raise awareness of e-waste among young people, with winners seeing their ideas brought to life in an interactive installation.

Social

Connecting communities

Targets	2023 Progress
Help eradicate data poverty by connecting 1 million digitally excluded people across the UK by the end of 2025	We connected 106,467 people through National Databank, free community broadband, Community Calling, Tech Lending Hubs and Essential Broadband.
Equip 6 million people with skills and tools to help them feel more connected to our digital society by the end of 2025	1.8 million people equipped with digital skills in 2023 and 3.3 million since 2022.
Support 1 million people through our 'Take Five' day employee volunteering programme by 2025	108,811 people supported through volunteering conducted by Virgin Media O2 employees in 2023 and 226,250 people supported since 2022.

As the UK's largest mobile network, we have a responsibility to help tackle the growing inequalities brought about by the digital divide. Through our Better Connections Plan, we are intent on making our services accessible to everyone: we want all our customers to have the means, confidence and know-how to make the most of our digital-first society.

Tackling the digital divide

7% of households in the UK don't have access to the internet at home, equating to around 1.7 million households. Those on lower incomes, unemployed, aged 65 or over, or living with a disability are more likely to be unable to afford a connected device. And with rising pressure on household costs, affordability is becoming an even greater issue: Citizens Advice Bureau research found that a million people disconnected their broadband in the last year because they could no longer afford it, with those on Universal Credit six times more likely to have done so. We don't think this is fair. It's why we're committing to connect 1 million digitally excluded people across the UK by 2025.

In 2023, we expanded the eligibility criteria of our Essential Broadband package to allow 9.7 million people to benefit from our low-cost social tariff. Thanks to a new automated check, it's also faster and easier for claimants to access our discounted packages.

Countering data poverty through high-impact partnerships

a. Our flagship initiative is The National Databank which we founded with digital inclusion charity Good Things Foundation to offer free data to those in need. In 2023, we set up the UK's 1000th National Databank Hub, providing 20GB of free O2 data a month - the equivalent of around 22 hours of internet browsing. Following a successful pilot, we increased the number of Hubs by providing free data through more than 240 O2 stores across the UK.

   With rising inflation causing increasingly hard choices for stretched families, we focused on doing what we could to help our customers stay connected, for example we offered free O2 data to families over the six-week summer holiday break. We also support the National Device Bank, where people can access donated tablets and laptops to help their families get online.

   In 2023, we shared with the Data Poverty All-Party Parliamentary Group (**APPG**) how we've taken the National Databank to 33 Virgin Money high street stores nationwide to support people facing financial and digital exclusion.

b. Through our partnership with Jangala - a charity dedicated to enabling internet access for people in need - we're committing to distribute 5,000 'Get Boxes' to households, community centres, refuges and homeless shelters across the UK. A 'Get Box' is easy to use and provides a fast and reliable connection for individuals and households facing digital poverty.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

c. With Good Things Foundation we also supported people experiencing, and at risk of, homelessness during the winter and beyond by expanding the National Databank to charities, Crisis and Change Please – Driving for Change. As well as offering free O2 data, texts and calls via the National Databank, both charities are providing free second-hand smartphones to their guests from the Community Calling scheme.

Connecting the disconnected

a. Run in partnership with Hubbub, our Community Calling scheme takes in donated devices and re-homes them with people in need, giving old phones a second life, preventing e-waste, and allowing disconnected people to make a fresh start.

b. To encourage Virgin Media O2 Business customers to donate unwanted devices to our Community Calling scheme, we relaunched our 'Tech Donation Programme' during the year. Customers can choose the location and demographic they would like to receive the donated devices and we then send them an impact report about the difference their donation has made.

c. Last year, we established the Tech Lending Community (**TLC**) fund, designed to meet the dual challenges of digital exclusion and e-waste. The £400,000 fund proceeds, which were shared between five UK charities (Willowacre Trust, Thames Reach, Leeds Refugee Forum, Refuge and Kwemo), pairs digitally-excluded people with data and devices, while reducing e-waste and saving carbon, water and resources.

To date, the fund recipients have been able to distribute more than 1,000 tablets and data to people living in temporary accommodation, including women seeking refuge from domestic violence, refugees, asylum seekers and people at risk of homelessness. A six-month check-in report, published during the year, found that the community organisations have improved and expanded existing support services as well as establishing new, digitally-focused services. Beneficiaries have noted increased digital confidence, greater independence and improved wellbeing, highlighting the opportunity to learn the ability to learn new skills, develop interests, and keep in touch with family and friends.

Driving digital inclusion in Manchester's social housing

Europe's biggest social housing digital inclusion pilot, Get Online Greater Manchester, was launched in October 2023, aimed at addressing the digital divide for up to 260,000 homes in Greater Manchester - where 1 in 5 people live in social housing. A collaboration between the Greater Manchester Combined Authority (**GMCA**) and five of the UK's internet service providers (**ISP**s), including Virgin Media O2, the project aims to drive digital participation by providing digital skills training, in addition to a range of affordable internet access offers.

Shared Rural Network

In 2023, we continued the expansion of the Shared Rural Network, a £1 billion joint initiative between the UK's four mobile network operators and the government, aimed at improving rural mobile connectivity and reliability. See "Networks" on page 29 for further information.

Closing the rural divide

The countryside makes up more than 90% of the UK's landmass, yet despite the rollout of rural connectivity over the last decade, there remains a digital divide between rural and urban communities when it comes to the availability and reliability of high-speed fixed and mobile services. We continue to invest in the upgrade and expansion of our networks; we are on track to cover approximately 80% of the country with full fibre and more than half of the UK's outdoor population with 5G by the end of 2023.

Yet there is more to do. In our new report, The Great Rural Revival, the Centre for Economics and Business Research (**Cebr**) modelled the economic impact of improved rural digital connectivity, finding that the rural business sector could grow turnover by 10.5% if they had access to better digital connectivity, a rise of £65.1 billion across businesses in current prices.

Farms of the Future

During the year, we joined forces with Springtime on the Farm presenter Jules Hudson and Cannon Hall Farm in Barnsley to create the 'connected farm of the future' and demonstrate in practice what better connectivity could mean for the agricultural sector. Enabling mobile communication in all corners of Cannon Hall Farm and installing a network of sensors allows the farm owner to monitor soil, atmospheric conditions, livestock, machinery and equipment in real-time - saving valuable time and money and helping to create a more efficient, profitable and sustainable future for farms across the UK.

Digital literacy and skills

Our £2 million, three-year partnership with the UK's leading digital inclusion charity, Good Things Foundation, has continued its drive to help six million disadvantaged people across the UK get online and gain digital skills. We gifted the charity £200,000 in 2023 to help fund a new apprenticeship programme where successful candidates will split their time between working for organisations in Good Things Foundation's National Digital Inclusion Network and working towards their fully funded apprenticeship qualification.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

Digital skills for daily life

Programmes we have collaborated with Good Things Foundation on during the year include:

a. Learn My Way: A free online learning platform to help people learn essential digital skills. Used by community groups and charities around the UK, we supported the scheme's expansion, with a new version launched in April 2023 that offers bitesize digital learning; works across multiple devices; and allows users to pick and choose individualised content to suit their needs.

b. Working with local authorities across the UK, Connect More helps address digital exclusion by offering training to build the digital skills, confidence, and motivation to make the most of the internet. The scheme is currently delivered in four regions, expanding into Reading in June 2023, in collaboration with Reading Borough Council and 'Get Online Reading'. Training is delivered by our employees in Virgin Media O2 Business.

   During 'Get Online Week' in October, we hosted hundreds of free digital skills workshops at community organisations across the UK.

c. In October 2023, we launched a new community broadband programme which will establish digital inclusion hubs across the UK offering free, ultrafast connectivity and digital literacy programmes. Leeds Refugee Forum is the first to be connected: refugees and asylum seekers in the local area who may not have broadband at home can drop in to check emails, access vital online services and benefit from digital skills training sessions.

Keeping children safe online

We're keenly aware of our responsibilities to protect children, young people and any vulnerable customers who use our services. Internet Matters, a not-for-profit organisation supported by an industry-wide coalition, including Virgin Media O2, helps parents and professionals keep children safe online by providing a wealth of online safety resources and expert guidance. In 2023, our partnership with Internet Matters reached 1.7 million parents and guardians.

We implement age verification processes that restrict access, where possible, to 18-rated content and have established a Children, Young People and Vulnerable Customers Online Safety policy.

Employee volunteering

Our Take Five volunteering programme gives employees up to five paid days of leave a year to get involved in local communities across the UK. Run by Neighbourly, a giving platform, employees are connected to good causes that need volunteers. During the year, 1,875 employees volunteered their time, helping 108,811 people.

Accessibility and vulnerable customers

We commit to providing customers with clear and transparent information about the products and services we offer, including associated fees and charges. We make it easy for our customers to communicate with us through multiple channels. If our customers tell us they are dissatisfied, we act swiftly and diligently to resolve any issues. We want vulnerable consumers to experience outcomes as good as our other customers and to get consistently fair treatment.

At Virgin Media O2 we believe that everyone should have access to the products and services they need to thrive in a digital world and that technology should be accessible to all. We want to help people in their homes, workplaces and communities have access to and enjoy the social, environmental and economic opportunities of connectivity.

Disaster response

Many people around the world have been impacted by war and natural disasters overseas this year. We seek to help people in times of need through our products and services, by providing access to communications and connectivity.

Following the devastating earthquake in Turkey and Syria in February 2023, we supported humanitarian charity Jangala's relief efforts, which saw the distribution of 'Big Boxes' - enabling internet connectivity in less than a minute so displaced people could make contact with loved ones and access essential support services. We also made a financial donation to the Disasters & Emergencies Committee (**DEC**) as part of their appeal launched for Turkey and Syria.

We supported customers directly impacted in Turkey, Syria, Morocco, Libya, Israel and Palestine by offering free calls and texts into the impacted countries and free roaming services when visiting so that people could keep connected with their families and friends.

Governance

A better way to do business

Targets	2023 Progress
Achieve gender parity and improve representation from underrepresented ethnic backgrounds to 15% across our wider leadership team, and to 25% across our entire business by 2027.	As of 31 December 2023: Female representation is 30.0% (all staff) and 32.6% (leadership team). Global majority representation is 16.9% (all staff) and 14.4% (leadership team).
Make sure all our major purchases commit contractually to defined sustainability requirements and aligned carbon-reduction goals.	We launched a new Supplier Code of Conduct policy to articulate our expectations on human rights, labour conditions, health and safety, environmental impact management, privacy and ethical behaviour. We are working on a number of initiatives to reduce supply chain emissions, including working directly with up to 15 major suppliers (generating over half of our total emissions) to agree carbon reduction plans.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

In addition to our 2025 targets around climate, circularity and driving digital inclusion, our Better Connections Plan also commits to conducting our daily operations in an ethical, equitable way and ensuring that our supply chain upholds our principles. In this way, we seek to build a responsible and sustainable business that can drive positive change for our people, communities and planet.

DE&I

We're committing to creating a diverse, equitable and inclusive organisation that fosters the wellbeing, development and retention of our people. In 2023, we were proud to be awarded a Silver Award from LGBTQ+ organisation, Stonewall, and be named in their Top 100 Employers for 2023.

Our DE&I strategy has ambitious targets to be achieved by the end of 2027:

a. Move the dial on diversity by having gender parity in our leadership population while driving towards gender parity across the organisation, in addition to increasing the representation of Global Majority[1] employees to a minimum of 15% leadership and 25% across the business.
b. Make equity part of everything we do.
c. Put inclusion at the heart of how we do business.

We aim to track our performance against the following indicators:

	Year ended 31 December		Increase (decrease)
	2023	**2022**	**%**
Female employees - all staff	30.0%	30.6%	(0.6)%
Female employees - leadership	32.6%	32.8%	(0.2)%

In 2023, 29.1% of new hires were women, but leaver rates over the same period is disproportionate to both headcount and new hires at 32.2% so this is having a negative effect on representation, across all levels.

	Year ended 31 December		Increase (decrease)
	2023	**2022**	**%**
Global Majority[1] employees - all staff	16.9%	16.8%	0.1%
Global Majority[1] employees - leadership	14.4%	12.5%	1.9%

This positive change could be attributed to a greater number of employees disclosing their data and an increase in external hires.

a) Moving the dial on diversity

We understand that diversity of thought, background and experience is essential to drive business performance, and have made progress during the year to increase the awareness of the DE&I agenda across the organisation. Our aim is to create a fairer future for our people, and we want our workforce to go 'All in'. We commit to do more, not less, and to address systemic inequity and systemic barriers together for our people and the communities we serve. We know that making progress on representation requires us to do something different. This year we launched our first ever high potential development programme for Black heritage future leaders at Virgin Media O2. This programme is the first in a series that will contribute to Virgin Media O2 building a diverse leadership team that represents the diversity of the UK.

b) Making equity part of what we do

We want a Virgin Media O2 that is equitable and fair for all. We know that fairness is essential to a psychologically safe and inclusive workplace. We have committed to revolutionise our organisational processes, practises and policies to remove systemic barriers for people from underrepresented groups. We have made steady progress in embedding equity in our practices and procedures. This year we launched a world class workplace adjustments process in partnership with Microlink which means that disabled employees, and anyone who has additional needs, can access top class adjustments to ensure they are able to fully contribute and achieve their potential at Virgin Media O2.

c) Putting inclusion at the heart of how we do business

We aim to build a fully inclusive culture, celebrating everybody's individuality and differences. We want our organisation to be a place where people feel they can do the best work of their careers, feel psychologically safe and empowered to make decisions for the benefit of our business and customers.

To help us achieve our aim we have six employee networks: Enrich, Proudly, The Women's Network, The Neurodiversity Network, We Care and Ultraviolet. Our networks provide an open forum where employees have an opportunity to build community and belonging in our organisation.

In 2023 we launched Ally Up, a programme of education which empowers our leaders and employees to be more consciously inclusive every day. The programme consists of five live virtual sessions which are open to all employees and two specifically for leaders. Topics include Anti-Racism, Gender Dynamics, LGBTQ+ Allyship, Neurodiversity, Accessibility, Inclusive Leadership and Managing High Performing, Flexible teams.

We have a statutory obligation to publish annual gender pay gap reports for O2 and Virgin Media that detail our progress in this area. In line with our commitment to equity and increasing transparency we have also voluntarily disclosed our ethnicity pay gap, as well as publishing an overall gender and ethnicity pay gap for Virgin Media O2. For further detail, see our 2023 Virgin Media O2 Pay Gap Report.

1 Global Majority is a collective term that first and foremost speaks to and encourages those so-called to think of themselves as belonging to the global majority. It refers to people who are Black, Asian, Brown, dual-heritage, indigenous to the global south, and or have been racialised as 'ethnic minorities'.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

Globally, these groups currently represent approximately 85% of the world's population making them the global majority now, and with current growth rates, notwithstanding COVID-19 and its emerging variants, the global majority is set to remain so for the foreseeable future.

Gender Pay Gap

	As at 5 April		Increase (decrease)
	2023	2022	%
Mean hourly pay gap - Virgin Media O2	1.9%	2.0%	(0.1)%
Median hourly pay gap - Virgin Media O2	2.3%	4.2%	(1.9)%

In 2023, we have seen marginal improvement in the mean gender pay gap, with greater progress seen in the median gender pay gap, which reduced by 1.9 percentage points compared to 2022. Our mean and median gender pay gap are both narrow, near to the 2% level.

Ethnicity Pay Gap[1]

	As at 5 April		Increase (decrease)
	2023	2022	%
Mean hourly pay gap - Virgin Media O2	9.7%	10.3%	(0.6)%
Median hourly pay gap - Virgin Media O2	13.3%	15.4%	(2.1)%

In 2023 we continued improvement in narrowing our ethnicity pay gap, with the mean pay gap reducing by 0.6 percentage points and the median pay gap reducing by 2.1 percentage points.

Carers Confident Employer
We achieved Level 1 certification from Carers UK's Carer Confident employer benchmarking scheme in January 2023, acknowledging our efforts to support unpaid carers within our business and build a positive and inclusive workplace.

Engaging employees in sustainability
To ensure that our employees understand and integrate our Better Connections Plan into their every day activities, we are ensuring training is provided and that ESG responsibilities are linked to our reward and recognition programme.

Employees are also encouraged to get involved in our strategy by taking advantage of our new volunteering programme, Take Five, which lets employees take five days of paid leave a year to volunteer in communities nationwide. See "Social" on page 51 for further information.

See "Employees" on page 34 for further information.

Our Customers
We commit to the fair treatment of our customers - for further information on this see the "Customer" section on page 32.

Ethical sourcing
We aim to establish open, trusted and transparent relationships with our business partners and suppliers. And we expect our suppliers to maintain the highest ethical and environmental standards, in accordance with our Code of Conduct which we have recently updated to reflect the latest best practice.

To ensure ethical sourcing we operate a range of supplier policies designed to:

a. Uphold our business values within our supply chains
b. Ensure the health and safety of workers in our supply chains
c. Ensure the quality of products and services we buy
d. Protect the privacy of our customers and ensure data security

They can be found here: Suppliers - Virgin Media O2

We set clear sustainability expectations of our suppliers and have integrated ESG goals into our procurement processes. Suppliers are contractually committed to uphold our codes of conduct and when we make major purchases, they are also required to agree carbon reduction goals.

We take a zero-tolerance approach to modern slavery and human trafficking in our operations and supply chains. During the year, we have undertaken modern slavery risk management reviews with high-risk suppliers - our annual Modern Slavery statement details our due diligence activities on this issue and can be accessed on our corporate website here: Modern Slavery Statement

We respect and actively promote nationally and internationally recognised human and employment rights, including those contained in the United Nations Universal Declaration of Human Rights, and the principles related to the rights recognised by the International Labour Organization and its Eight Fundamental Conventions.

The Virgin Media O2 EMT maintain oversight of supply chain sustainability management, and we also engage with sector initiatives such as the Joint Audit Cooperation to develop common sector sustainability standards.

1 Ethnicity pay gap reporting is based on ethnicity as disclosed by our employees. As at 5 April 2023, our ethnicity disclosure was 70%, compared to 63% in 2022, helping to support a more substantive reflection of our employees.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

Streamlined Energy and Carbon Report

We are pleased to report on our energy and carbon report for the financial year ended 31 December 2023.

The scope of the report includes our company owned stores, all corporate sites, switch and data centres, and cell sites (mast and antennae sites); it does not include O2 Franchise stores - these are separate legal entities.

The calculation approach is based on invoicing (where applicable) and estimation where the scope includes emission sources outside our operational control (for example landlord supplied sites). Emissions factors have been taken from the Department of Business, Energy and Industrial Strategy (**BEIS**) 2023 Conversion Factors.

Virgin Media O2 Emissions

	2023 (tCO_2e)	2022 (tCO_2e)
Scope 1 - Direct emissions from activities owned or controlled by the Company. This is low impact and fuel used is primarily for space heating (gas) and fuel used in standby generators (diesel)		
Static fuel	**5,295**	5,426
Fugitive gases	**6,364**	13,184
Vehicle fuel	**13,191**	14,020
Total	**24,850**	32,630
Scope 2 - Indirect emissions into the atmosphere associated with purchased, electricity, heat, steam and cooling Emissions from electricity consumed across the following site types (cells, switch sites, offices and stores)		
Electricity (including renewables) - Location based	**229,151**	210,413
Electricity (excluding renewables) - Market based	**30,357**	38,763
Scope 1 and 2 – Total (Location based)	**254,001**	243,043
Scope 1 and 2 – Total (Market based)	**55,207**	71,393
Intensity Ratio (Scope 1 and 2 Market-based emissions per petabyte of data)	**1.23 tCO_2e/PB**	1.80 tCO_2e/PB[1]
Scope 3 - A consequence of an indirect source and not Scope 2 (e.g. business travel by vehicles not owned by the Company) Business travel (business mileage, flights etc.)[2]		
Air Travel	**2,469**	1,755
Land Travel	**5,034**	4,593
Total	**7,503**	6,348[3]

Methodology for scope data	**GHG Protocol**	**GHG Protocol**
Total Energy Consumption (MWh)	**1,187,097**	1,171,285
Carbon offsets (tCO_2e)	**0**	0

1 2022 intensity ratio has been restated due to an improvement in the measurement of data usage.
2 Business travel emissions are based on the well-to-wheel approach.
3 We have re-stated our 2022 Scope 3 figures to reflect changes in the methodology applied to the reporting parameters of source data and to ensure consistency with 2023.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION CONTINUED

Virgin Media O2 is committed to supporting the UK's roadmap to net zero and enabling a zero-carbon future. Here is an overview of our progress made during 2023 against our objectives:

Net Zero: We remain on a science-based target pathway and on course for our 2025 target to reduce operational (Scopes 1 and 2) emissions by 60%, with a 45% reduction on our 2020 baseline and 23% reduction versus our 2022 position. This was underpinned by the following performance:

a. **Renewable energy:** We continued to source 100% renewable electricity wherever we control the bill and focused on non-renewable electricity consumption from masts operating on third party sites. In addition, we were able to ensure an additional 1,129 masts operating on third party sites are on renewable electricity supplies and purchased renewable energy certificates (REGOs) to match to 47% of the non-renewable electricity consumption.
b. **Fugitive gases:** Emissions from fugitive gases reduced by 52% in 2023 compared to 2022 and 66% compared to our 2020 baseline. Principally this reduction is due to a reduction in fire suppression discharges and investment in fire suppression systems to replace with zero-carbon alternatives.
c. **Fleet fuel:** In 2023 we increased our electric fleet to 281 vehicles as we work towards a full electric vehicle transition by the end of 2030. We have continued to see challenges in the electric vehicle supply chain, including delays in receiving ordered vehicles, though this eased up towards the latter part of the year. Vehicle costs have increased significantly alongside the reduction in electric vehicle grants. Despite these challenges to transition, we have seen a 6% reduction fleet emissions versus last year and expect to see further reductions attributable to operational efficiency.
d. **Static fuel:** Emissions from static fuel sources reduced by 2% versus last year and 12% against our 2020 baseline. Emissions from gas heating have reduced by 26% since 2020, primarily driven by site consolidation and improvement in billing accuracy. Emissions from generators remain flat on 2020, despite network growth and investment in switching to low-carbon hydrogenated vegetable oil (**HVO**) as an alternative to diesel is expected to deliver reductions in line with our net zero pathway.
e. **Energy efficiency and reduction:** Alongside our market-based net zero goal, energy efficiency and reduction remain a key priority for Virgin Media O2. During 2023 we have focused on the following initiatives:
   i. Procuring more efficient equipment across all areas of the business and putting energy consumption as a key decision factor in all business cases.
   ii. Continuing our three-year programme of decommissioning the legacy fixed line voice equipment.
   iii. Auditing technical sites to identify and remove other legacy kit and consolidate products to more modern and efficient platforms.
   iv. Extending our usage of RAN Power Management technologies to more masts and more hours of the day.
   v. Continuing to rollout free air cooling and more robust battery backup solutions across the Radio Network.
   vi. Proactively shutting down under-utilised 3G carriers as we move towards sunsetting of 3G technologies.
   vii. Deploying new site monitoring capabilities to optimise technical site cooling and enable raising of set points in our data centres.
   viii. Delivering XGS-PON full fibre rollout and beginning to migrate our customer base to enable the future shutdown of HFC and DOCSIS which is expected to deliver significant energy reduction.

Task Force on Climate-Related Financial Disclosures (TCFD)

During 2023, the worsening effects of climate change have been inescapable, with widespread heatwaves, droughts, wildfires, and flooding causing devastation across the globe. 2023 was not only the hottest year on record but, according to the EU's climate service, was the first year where global warming exceeded 1.5°C across an entire year. To minimise the effects of global temperature rise, deep, rapid and sustained emissions reductions will be necessary, as well as a concerted global attempt to transition away from the use of fossil fuels.

Against this backdrop, our responsibility to identify, mitigate, and manage climate-related risks and opportunities has never been more important. By seeking to comprehensively understand the effect that the climate crisis could have on our business operations, we can not only develop effective mitigation plans and reinforce our business resilience, but also determine how our products and services can support the transition to a zero-carbon future.

We continue to build on the 3-year plan we embarked upon in 2022 to improve our climate-related risk management and disclosure approach, with a target of fully aligning with the TCFD recommendations by 2025. As a large private company with more than 500 employees and over £500 million turnover, this is our first mandatory statement, although we have published voluntary disclosures against the TCFD reporting framework since FY 2021.

In 2023, we embarked upon our first climate-related quantitative analysis; improved senior oversight and governance of climate-related risk; and focused on ensuring that risks identified through the TCFD process were integrated into existing risk management processes. Next year, we will undertake additional quantitative analysis and focus on knowledge sharing across Strategy, Finance and Risk Management teams so that we can deepen the extent to which climate-related risks and opportunities are considered as part of strategic and financial planning. We'll also continue to upskill Virgin Media O2's leadership team so that climate impacts are understood at the highest level of decision making of the organisation and address how we can widen the scope of our climate metrics and targets reporting.

In this statement, we share our approach to climate-related risk and opportunity management and the progress we've made this year against the four TCFD thematic areas and 11 recommendations. Our compliance is set out in Figure 1. Where our disclosures are not yet fully consistent with the TCFD recommendations, we describe the steps we're taking to be able to make consistent disclosures in the future. We consider ourselves to be compliant with seven out of the 11 recommendations for the year ended 31 December 2023, with four recommendations where we are partially compliant

Figure 1 – TCFD compliance summary

Governance	Compliance	Page
a. Describe the Board's oversight of climate-related risks and opportunities	Partially compliant	59
b. Describe management's role in assessing and managing climate-related risks and opportunities	Compliant	59
Strategy		
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Compliant	61
b. Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning	Partially compliant	64
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2° or lower scenario	Compliant	64
Risk management		
a. Describe the organization's processes for identifying and assessing climate-related risks	Compliant	67
b. Describe the organisation's processes for managing climate-related risks	Compliant	67
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Compliant	67
Metrics and targets		
a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Partially compliant	68
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (**GHG**) emissions, and the related risks	Compliant	69
c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Partially compliant	69

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Biodiversity
While this TCFD statement focuses on climate risk and opportunity, it is clear that our changing climate is interconnected with the Earth's natural ecosystems: we are in a climate and nature crisis and we need to take steps to tackle both, by limiting emissions and promoting biodiversity. We take a range of actions to mitigate any risks to nature that our operations may pose, including taking precautionary measures to respect biodiversity during construction and complying with planning legislation and industry best practice for network development. Over the coming years, we will continue to develop our management and reporting of nature-related risks and opportunities in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (**TNFD**).

See "Non-Financial and Sustainability Information Statement" on page 45 for further information on our 2023 sustainability activity.

See "Streamlined Energy and Carbon Report" on page 56 for further information on our 2023 energy use and carbon emissions.

Other climate-related disclosures are integrated throughout the Annual Report: where applicable, we cross-refer to other relevant report sections throughout this statement.

Governance

a. Board oversight of climate-related risks and opportunities
Overall responsibility for identifying opportunities to create value for the company and maintaining sufficient oversight to manage and mitigate the principal risks to the business is held by our JV Board. Day-to-day management and decision-making of the Group is delegated to the Virgin Media O2 EMT, overseen by the JV Board and its associated committees.

The Audit Committee, a Board delegated authority, oversees business risks as well as financial and non-financial reporting, internal control and compliance processes. We apply a risk-based governance approach, with increased oversight for the more significant risks of the business. Climate risk is an principal risk category in our corporate risk register and consequently is routinely monitored by the Audit Committee and EMT, alongside the company's other priority risks.

In June 2023, Virgin Media O2's Director of Sustainability presented to the Audit Committee on environmental, social and governance (ESG) matters - including climate risk and our alignment with TCFD disclosure requirements. This update is now an annual standing agenda item. Furthermore, in December 2023, it was agreed that climate-related risk and opportunity management be incorporated into the Audit Committee's Terms of Reference.

Throughout the year, our Sustainability team engaged with colleagues in Strategy and Finance to discuss how to effectively embed climate considerations into the company's existing strategic development, financial planning and business decision-making processes. We plan to continue these discussions in 2024 and update further in our next statement. As of 2023, our Director of Sustainability also now attends investment committee meetings in an ESG capacity, and our company business case template has been amended to include questions around net zero and the environmental impact.

2023 climate updates to the Board:

i) The Chief Communications and Corporate Affairs Officer (**CCCAO**), a member of the EMT, provides an annual update to our JV Board on climate risk and opportunity and a summary of progress against our sustainability strategy (the Better Connections Plan). In May 2023, the CCCAO updated the Board on progress against environmental goals and targets; organisational obligations with regard to managing and reporting climate-related risk; and shared the risks and opportunities identified through the qualitative analysis.

ii) The Sustainability team reported Objectives and Key Results (**OKRs**) on our net zero programme to the EMT on a quarterly basis - highlighting any issues or risks to the delivery of the programme goals and targets.

iii) An informative meeting was held with Virgin Media O2 CEO, Lutz Schüler, on ESG matters in November 2023, with discussions including the Better Connections Plan, net zero and fleet decarbonisation.

b. Management's role in assessing and managing climate-related risks and opportunities
The CCCAO leads the delivery of Virgin Media O2's sustainability strategy. Day-to-day management of climate-related risks and opportunities is undertaken by the Sustainability team, who report to the CCCAO. Environmental matters are overseen by the Head of Environment, Climate and Nature.

In 2023, we disbanded the Sustainability and Responsible Business Committee, which was previously responsible for overseeing all ESG activity on behalf of the EMT, in order to enable simpler, more effective decision making and minimise duplication of effort.
We now govern our sustainability activity through three specialised ESG steering committees established to support the delivery of our Better Connections Plan. These Committees act on behalf of the EMT and have delegated responsibility for all ESG and DE&I decisions. On a quarterly basis, updates from each of these specialist committees is shared with the EMT and any issues requiring senior oversight are escalated as appropriate. Our sustainability governance structures, and their interactions, are detailed in Figure 2.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

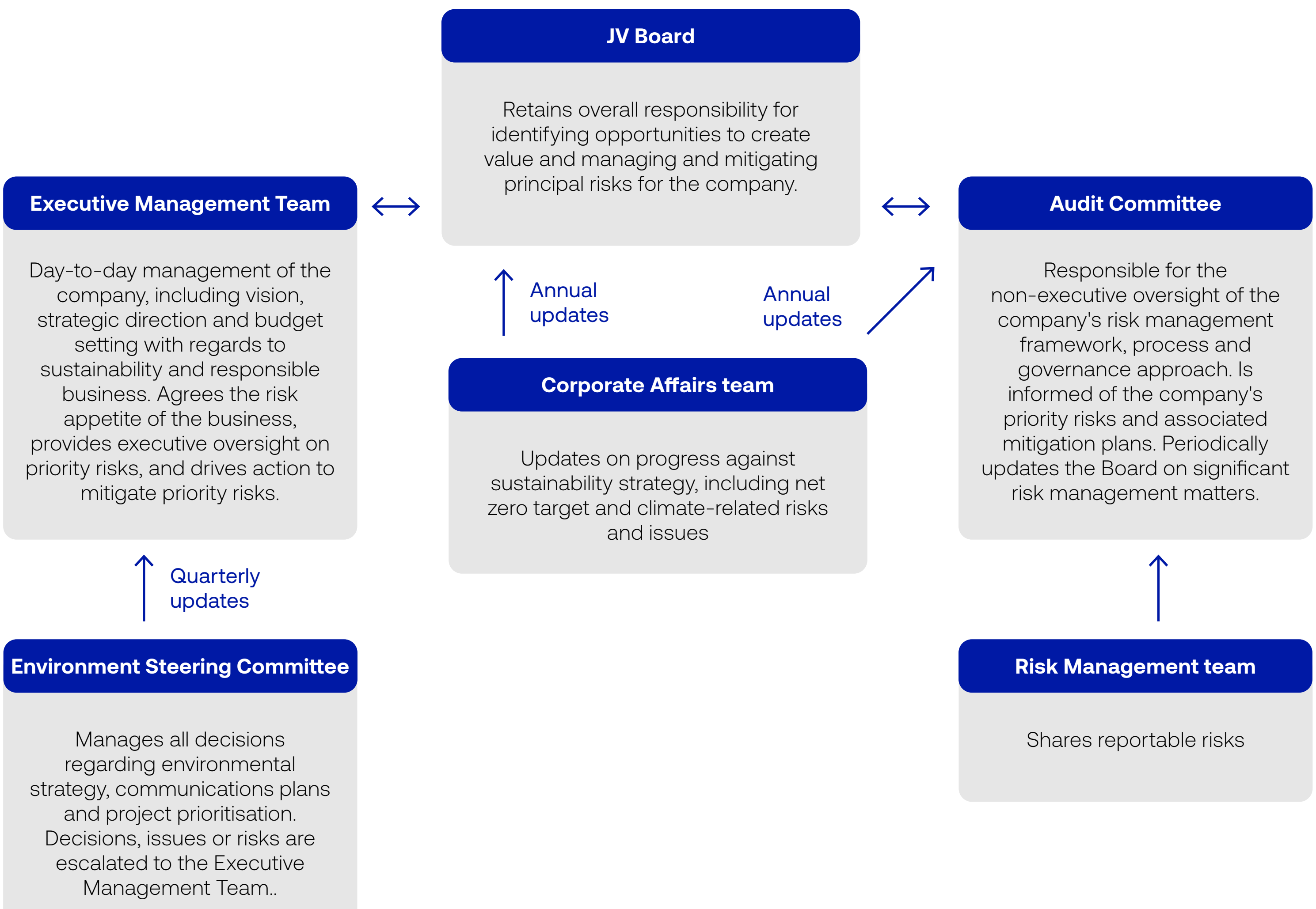
The Environment Steering Committee assumes the overall management of all environmental aspects of our business, including climate-related risks and opportunities. It is sponsored by Virgin Media O2's Chief Technology Officer. Since May 2023, climate-related risk and opportunity management has been a standing item at the committee and it has also been formally incorporated into the committee's Terms of Reference.

To ensure that the Environment Steering Committee receives relevant climate-related information, Sustainability team members attend best practice webinars and conferences and retain membership of industry forums. Environmental legislation is tracked through our Environmental Management System (**EMS**), complemented by an annual legislative compliance review. Any further relevant environmental targets, performance, risks or issues that require consideration or action by the Committee are shared by the Sustainability team.

We seek to upskill employees and management to facilitate the successful integration of climate considerations into day-to-day decision making. In September 2023, we launched a mandatory sustainability computer-based training (**CBT**) module for all Virgin Media O2 employees to build a wider understanding of environmental, social and governance issues, including climate. A series of employee workshops took place during the year as part of a Couch to Carbon Zero campaign, with employees invited to attend sessions on subjects ranging from reducing carbon footprints to enjoying a more sustainable Christmas.

More information about the composition and responsibilities of the key governance structures of Virgin Media O2 can be found on page 93 of the Annual Report.

Figure 2 – Climate risk governance



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Strategy

a. Climate-related risks and opportunities identified over the short, medium, and long term

Climate-related risks have the potential to affect all businesses over the short, medium and long term. The 2023 World Economic Forum (**WEF**) Global Risks Report identifies 4 environmental risks (from failure to mitigate climate change to biodiversity loss and ecosystem collapse) as the greatest global risks for the coming decade. At Virgin Media O2, we are taking steps to understand the possible impacts and consequences of both physical and transitional climate-related risks, as well as considering any climate-related opportunities that may arise for our business. Assessing the likelihood and impact of a range of risks, and integrating them into how we plan and make decisions, helps us future proof our business.

As a UK-based business with a global supply chain, climate change will impact our supply chain in different ways in different places and we plan to undertake further analysis to identify how the identified risks present themselves based on sector and, in particular, geography.

As we reported last year, we conducted a qualitative scenario analysis in 2022 to help us identify three physical and seven transition climate-related risks, as well as four climate-related opportunities that we believe could materially impact our business. In early 2023, these risks were validated and prioritised by the Sustainability and Responsibility Committee: more information is included about the risks, financial impacts and associated time horizons in Figures 3-5. Workshop participants covered a range of roles and responsibilities to ensure that risks and opportunities were considered from all aspects of the business.

Later in the year, we selected a shortlist of two physical and two transition-related climate risks and two climate-related opportunities as the most relevant for Virgin Media O2 and chose two risks to undertake in-depth quantification analysis, shown in Figures 7 and 8 on page 65.

Figure 3 – Physical climate-related risks (driven by extreme weather and long-term shifts in climate patterns that have direct impacts)

Risk type	Risk title	Risk description	Financial impact	Time horizon
Acute and chronic	Damage to infrastructure and disruption to operations due to the physical impacts of climate change	Risk that increased frequency and/or severity of extreme weather events (such as flooding, storms and wildfires) and longer-term shifts in weather patterns (such as sea-level rise, increased precipitation and extreme heat) result in damage to Virgin Media O2's physical and operational assets including network infrastructure, data centres etc. This leads to business disruption such as network services outages and restricted services, and more frequent repairs are necessary.	a. Decrease in revenue from lower sales b. Increase in operating costs from repairs c. Early retirement of existing assets due to frequent damage d. Increase in insurance premiums	Medium to long term
Acute and chronic	Disruption to workforce due to the physical impacts of climate change	Risk that increased frequency and/or severity of extreme weather events (such as extreme heat, extreme rainfall storms or flooding) have negative consequences on the productivity and safety of Virgin Media O2's workforce, leading to delays in the roll out of Virgin Media O2's services and increased customer dissatisfaction.	a. Decrease in revenue from lower output b. Increase in costs from negative impacts on workforce (absenteeism) c. Threat to business continuity	Medium to long term
Acute and chronic	Disruption to suppliers due to the physical impacts of climate change	Risk that increased frequency and/or severity of extreme weather events (such as flooding, storms and wildfires) and longer-term shifts in weather patters (such as sea level rise, increased precipitation and extreme heat) disrupt the operations of Virgin Media O2's suppliers, leading to disruption to third-party operated services, such as call centres, and delays in product delivery to Virgin Media O2.	a. Decrease in revenue from lower sales b. Threat to business continuity c. Decrease in revenue from lower output	Medium to long term

Key
Acute – Risk of increasing severity of extreme weather events.
Chronic – Risk of longer-term changes and variability in weather patterns.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Figure 4 – Transition climate-related risks (driven by policy, regulation, technology development, reputation, and market shift as a result of goals to decarbonise)

Risk type	Risk title	Risk description	Financial impact	Time horizon
Market	Rising input prices leading to increased production and operating costs	Risk of increasing volatility in input prices (such as raw materials and energy) leading to fluctuating production and operational costs. For example, timing of energy policy changes and availability and demand for different raw materials as a result of market shifts may lead to higher energy prices and the risk of rising third-party costs associated with the manufacturing of handsets and wearables.	a. Increase in production and operating costs e.g., energy/electricity prices b. Reduction in profit margins	Long term
Technology	Increased costs from the transition to lower emissions technology	Risk of increased R&D costs, associated with investment in new and alternative technologies to enable more efficient services and production processes, necessary to meet emissions reductions targets	a. Increase in capital investments required for technology development b. Reduction in profit margins	Short to medium term
Policy and legal	Introduction of carbon pricing impacting operating costs	Risk of the introduction of a formal carbon pricing system in jurisdictions where Virgin Media O2 operates which results in Virgin Media O2 having to pay for their GHG emissions and leading to increased operating costs	a. Reduction in profit margins b. Increase in production and operating costs	Medium term
Policy and legal	Enhanced exposure to climate-related regulatory changes and litigation	Risk of enhanced exposure to climate-related litigation as a result of more stringent legislation and mandates on emissions associated with Virgin Media O2's services and products	a. Increase in potential for climate litigation b. Increase in production costs c. Increase in staffing costs and investment to support reporting functions d. Loss of brand loyalty	Medium term
Reputation	Shifts in consumer preferences towards greener telecom providers	Risk that Virgin Media O2 fails to keep up with competitors' climate action leading to consumers switching to telecom providers with stronger ESG credentials, meaning Virgin Media O2 loses market share and in turn becomes less desirable to potential investors	a. Reduction in revenue and market share b. Decrease in access to capital c. Loss of brand loyalty	Short to medium term
Reputation	Failure to meet emission reduction targets across scope 1, 2 and 3 emissions	Risk that Virgin Media O2 fail to meet their net zero 2040 target through missing their own Scope 1 and 2 targets directly or being implicated by third-party dependencies and associated Scope 3 emissions (for manufacturing and/or licensing products). Virgin Media O2 may fail to meet targets as a result of changing business priorities, redirections of budget funding, or through third-parties failing to reduce their own scope 1 and 2 emissions in line with Virgin Media O2's Scope 3 supplier climate targets. This could lead to reputational impacts and effects on internal and external stakeholder brand loyalty. Failure to meet such targets would also mean that Virgin Media O2 are unable to obtain sustainability-linked financing or further leverage green finance.	a. Damage to reputation b. Increase in potential for climate litigation c. Decrease in access to capital d. Decrease in employee retention rates and ability to attract talent e. Loss of brand loyalty	Medium to long term
Market	Disruption to VMO2's supply chain due to geopolitical volatility from climate-related impacts	Risk that geopolitical volatility, spurred on by the impacts of climate change, disrupts Virgin Media O2's supply chain, including the delivery of handsets and accessories. As a result, Virgin Media O2 is unable to meet customer demand for products and experiences disruption to services, increasing costs and reducing market share.	a. Increase in production and distribution costs b. Reduction in profit margins c. Loss of brand loyalty	Medium to long term

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Key
Policy and legal – risk of existing and emerging climate-related regulations, as well as climate-related litigation claims
Markets – risk of shifts in supply and demand as markets respond and react to climate change
Technology – risk of disruption to parts of the economic system caused by emerging technologies required to support the transition to a low carbon economy
Reputation – risk of damage to brand value and loss of customer base from shifting public sentiment over an organisation's response to climate change

Figure 5 – Climate-related opportunities

Risk type	Risk title	Risk description	Financial impact	Time horizon
Transition – resilience	Become a credible, low carbon telecom provider	Opportunity for Virgin Media O2 to demonstrate credible improvements in ESG performance, such as meeting its net zero target ahead of 2040 deadline and having robust physical risk management strategies in place, going beyond potential investor expectations and leading to an improvement in market valuation as a result. As customers increasingly consider climate credentials when selecting a telecom service provider this will lead to Virgin Media O2 increasing its market share over less progressive competitor	a. Increase in revenue and customer market share increase in market valuation b. Increase in access to capital c. Increase in employee retention rates and ability to attract talent	Medium term
Transition – products and services	Development of and/or expansion of low emissions products and services	Opportunity to expand Virgin Media O2's portfolio, including the development of low emission products and services, in line with shifting consumer sentiment towards greener consumption. These products and services would not only reduce Virgin Media O2's climate footprint, but also support its customers to achieve their personal emissions reduction and climate resilience goals. For example, MyO2 could be used as an informative tool for customers, providing information about climate change and behavioural nudges towards climate-friendly action. This will lead to an enhancement in Virgin Media O2's brand amongst both internal and external stakeholders whilst increasing brand reputation.	a. Increase in revenue b. Increase in investment and access to capital c. Increase in brand loyalty d. Increase in customer market share	Short to medium term
Transition – markets	Access to new markets via new products and services	Opportunity to diversify Virgin Media O2's portfolio through the development of new products and services to give access to new markets or greater market share by pursuing climate objectives, such as decarbonisation or circularity targets. For example, linking to Virgin Media O2's target for all product cycles to follow circular models by 2040, Virgin Media O2 could initiate a new circularity focused service line including asset leasing. This would lead to Virgin Media O2 expanding its customer target market and reputation as a low carbon telecom provider whilst also providing the opportunity to leverage additional green finance as a result of ambitious climate action enabling Virgin Media O2 to meet its climate targets and enhance its green credentials.	a. Increase in revenue b. Increase in customer market share c. Increase in investment and access to capital	Medium term
Transition – resource efficiency	Green-led resource efficiency	Opportunity to harness green-led resource efficiency across Virgin Media O2's operations and distribution processes leading to a reduction in operating costs. For example, greening Virgin Media O2's fleet and increasing the use of recycled materials in products ahead of current target deadlines, or switching to renewable energy sources across the value chain.	a. Reduction in operating costs b. Increase in revenue c. Increase in access to capital	Medium term

Key
Resilience – adaptive capacity to respond to climate change, better manage the risks and seize the opportunities

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Energy source – access to cost and emissions benefits through low-carbon and alternative energy options
Markets – access to new markets enabling the diversification of activities, facilitating the transition to a lower-carbon economy
Resource efficiency – improved efficiency across production and distribution processes, buildings, machinery and transport in relation to energy efficiency, water, waste management and material usage
Products and services - improved competitive position and ability to capitalise on shifting consumer preferences through development of low-emission products and services

b. Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

The tables included in Figures 3, 4 and 5 describe at a high level the potential financial impacts of identified climate-related risks and opportunities across different time horizons. The qualitative analysis then examines in greater depth how selected climate-related risks and opportunities could potentially affect our future financial performance, under three climate scenarios (shown in Figure 6) and across different time-frames.

Figure 6 – Climate scenarios:

Scenario 1	Steady path to sustainability (1.5°C) – is optimistic about economic decarbonisation and assumes this is achieved in a steady, orderly fashion, to draw out transition risks. SSP1 / RCP1.9 combination.
Scenario 2	Middle of the road (2°C) – a delay in efforts to mitigate climate change results in a disorderly transition, intended to emphasise the extent of transition risks. SSP2 / RCP2.6 combination.
Scenario 3	Fossil-fuelled global growth (4°C) – this is a plausible worst-case scenario from a climate change perspective, intended to draw out physical risks. SSP5 / RCP8.5 combination.

We believe that's it's important to be aware of how the increased occurrence of extreme weather shocks (physical risks) as well as any potential regulatory changes (transition risks) could affect our business operations, which is why we need to ensure that climate-related risks and opportunities are understood at an early stage of our business planning process. We aim to share information across different functions to help to drive action, align climate risk with strategy planning, and enhance our operational resilience.

In 2023, the Sustainability team has engaged with Strategy and Finance teams to discuss how climate risks can be best taken into account when making strategic and financial decisions, but we know there is more to do and we continue to examine how we can effectively factor the identified risks, and the corresponding potential financial impacts, into Virgin Media O2's decision making and financial planning processes. By ensuring that our Director of Sustainability attends relevant committees and meetings, such as investment committee meetings, we hope to emphasize the importance of integrating environmental considerations into existing company frameworks.

c. Resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Quantitative scenario analysis helps companies make better decisions by providing insight on the risks they may face to organisational resilience under different hypothetical futures and assigning an estimated impact felt by the business should the risk or opportunity materialise. These futures are not predictions, but are plausible visions of the future that help to challenge accepted thinking. Climate scenarios combine a range of factors, including climate, emissions, vulnerability, environmental and socioeconomic change.

The climate science community often uses two key frameworks to develop these factors into a set of commonly-understood narratives: the Shared Socio-economic Pathways (**SSPs**) which describe different socioeconomic futures; and the Representative Concentration Pathways (**RCPs**) which model different emissions pathways and the associated impact on the climate. To develop our climate scenarios, we paired three different SSP/RCP combinations (Figure 6).

In a workshop with key stakeholders held in September 2023, each of the 14 climate-related risks and opportunities were reviewed against criteria including potential financial impact to the business, likelihood and relevance and we selected two risks for quantitative analysis (Figure 7).

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

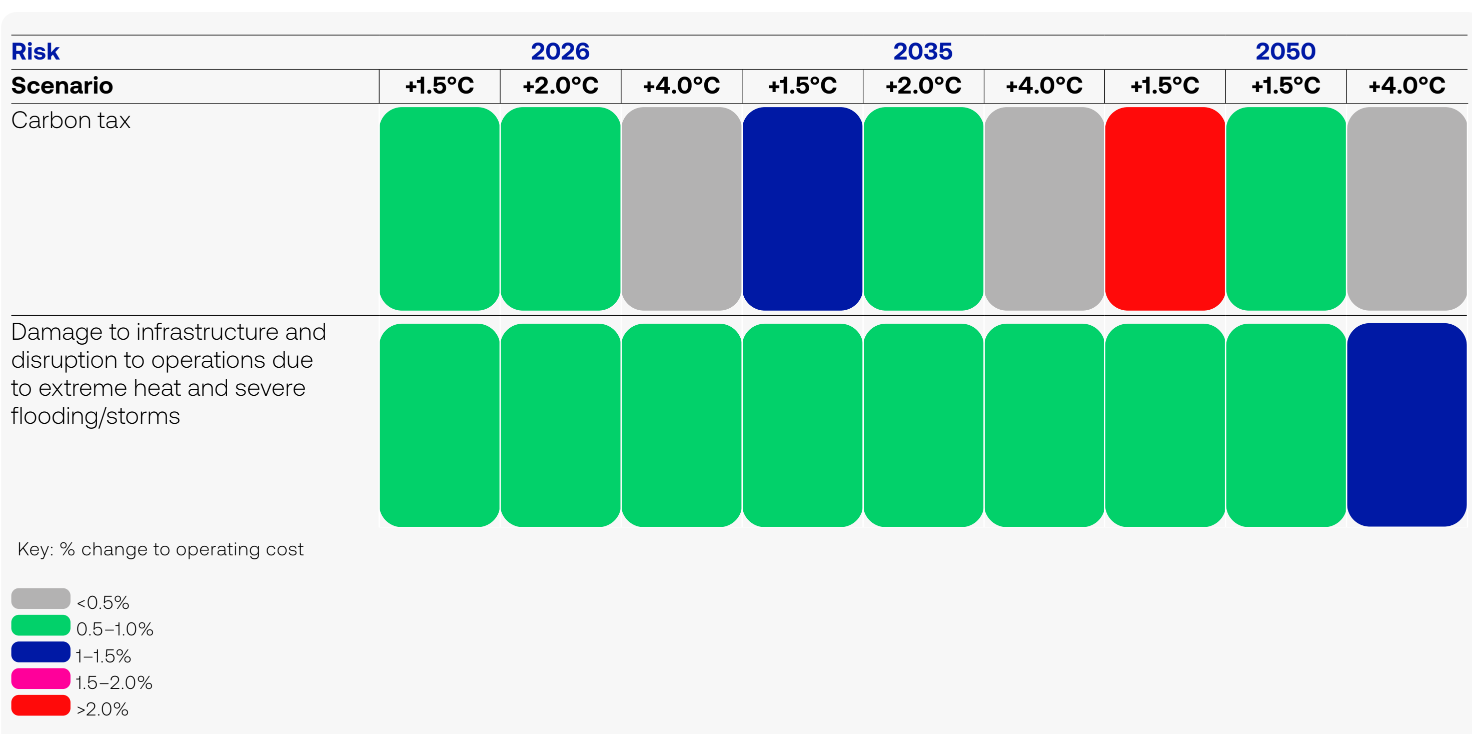
Figure 7 – Risks selected for quantitative analysis:

Risk		Financial impact analysis
Physical risk - Damage to infrastructure and disruption to operations due to the physical impacts of climate change	Risk that increased frequency and/or severity of extreme weather events (such as flooding and storms) and longer-term shifts in weather patterns (such as extreme heat) result in damage to Virgin Media O2's physical and operational assets including network infrastructure (e.g. technical sites, cabinets) and data centres etc. This leads to business disruption such as network services outages and restricted services, and more frequent repairs are necessary.	We assessed the potential financial impact of disruption to our operations (maintenance and repair costs) caused by extreme heat and severe storms and flooding in the UK.
Transition risk - Introduction of carbon pricing impacting operating costs	Risk of the introduction of a formal carbon pricing system resulting in Virgin Media O2 having to pay for GHG emissions and resulting in increased operating costs.	We applied the projected price of carbon tax to our Scope 1 emissions. For our Scope 2 emissions, we looked at the impact a carbon tax would have on energy prices. For Scope 3, we assessed the potential pass through rate of carbon taxation from our suppliers to calculate the financial impact.

With help from external experts, the potential financial impacts of our selected risks were calculated using internal and external data for short (now to 2026), medium (2026-2035) and long-term (2035-2050) time horizons for three climate scenarios, taking into account the life of Virgin Media O2's assets, the profile of the climate-related risks faced, and the geographies and sector in which we operate. These assessments, shown in Figure 8, do not represent financial forecasts but are high level financial models of what could happen in the future based on what we know now.

They are based on our current assets and emissions and don't account for a changing asset portfolio or significant changes in our future business model; advancements in technology; or any mitigating actions we may take to manage the risks. We expect there to be changes over these time frames, for example with the switch to fibre optic across the UK, so we will continue to monitor market trends and regulatory changes to ensure we remain informed of any potential impacts on our business.

Figure 8 – Quantitative analysis of climate-related risks:



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

In 2023, we started work to quantify the potential cost reductions of moving to a fully electric fleet. However, to ensure that our calculations are as accurate as possible - and take into account all internal and external influencing factors - we are undertaking additional analysis for this climate opportunity. We plan to include more information on our financial modelling relating to this matter in our 2024 TCFD statement.

In 2024, we also plan to undertake further quantification of selected climate-related risks and opportunities.

We take a range of actions to integrate climate into key organisational touchpoints to build a climate-aware organisation, mitigate the key risks we have identified, and plan for any possible negative impacts on our operations:

- **Climate target:** committing to a 2040 science-based net zero target and delivering emissions reductions against our interim targets. We use renewable energy wherever possible; focus on energy efficiency improvements; and are decarbonising our cell sites and transitioning our fleet to electric vehicles – actions which help mitigate any potential rise in energy costs and improve our business resilience.
- **Climate risk mitigation:** ensuring we are monitoring and mitigating climate risks and potential increases in operational costs due to shifts in climate patterns. For example, extreme temperatures could affect infrastructure cooling costs or low-lying facilities might be subject to flooding, so we make sure we have resilient systems in place to support any failures of air-conditioning units; have installed continuous temperature monitoring for all sites; established temperature cooling contingency plans; and installed flood prevention systems at sites at risk of flooding.
- **Climate governance:** embedding an understanding of climate risk and opportunity management into the organisation through measures including the incorporation of climate matters into relevant governance bodies and ensuring a sustainability representative attends key strategic and financial planning committee meetings.
- **Climate awareness:** building knowledge about environmental issues and climate impacts with employees, management and Board-level representatives. We launched a new sustainability computer-based training module in 2023 and incorporated an ESG non-financial metric into our company bonus structure.
- **Climate requirements in our supply chain:** working with our suppliers to monitor climate risk and embed sustainability requirements in our procurement process. We consider climate risk at point of purchase for major suppliers, who are required to set science-based net zero targets, alongside other social and environmental factors

Based on the analysis we have undertaken to date, we believe that our strategy is currently resilient to climate risks and that the identified risks will not have a material impact on our financial performance. However, we are not complacent and will continue to monitor the changing landscape, undertake additional quantification exercises, and check our assumptions and assessments at regular intervals.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Risk Management

a. Processes for identifying and assessing climate-related risks

At Virgin Media O2, the management of risk is viewed as a shared responsibility: all employees, partners and suppliers are required to identify, manage and report risk in accordance with the company's risk management policy.

In all areas of the business, and at all levels, risks are identified and captured from a variety of sources, including strategic planning, operational teams and regular risk review meetings. They are then assessed to determine their importance, appropriate prioritisation, and risk response, analysed against impact and likelihood criteria to provide an overall risk rating which is recorded on Virgin Media O2's Risk Heatmap. Our existing risk management processes are described in more detail on page 77 of our Annual Report.

On a business-as-usual basis, climate-related risks are identified and assessed in the same way as all other business risks, through our existing risk management processes. In addition, as part of our 3-year roadmap towards TCFD alignment, we carried out a full, in-depth review of our climate-related risks and opportunities in 2022 to ensure that adequate focus is accorded to the critical issue of climate change. These are subject to an annual review to ensure they are still the most relevant climate risks and opportunities for our business. We engage in ongoing collaboration with our Risk Management team to strengthen our ability to identify, assess and mitigate climate risk.

b. Describe the organisation's processes for managing climate-related risks

In accordance with our company risk responses, once a risk has been identified and assessed, a risk owner is allocated. The risk owner duly determines the most appropriate response for the business and oversees progress, selecting an appropriate risk response from the following categories; 'avoid', 'mitigate', 'accept', 'defer', or 'monitor'. Further information on all risk processes can be found in "Our Risk section" on page 77. Virgin Media O2's Director of Sustainability is the climate risk owner. We consider climate risk to be an 'immediate' risk because the effects of the Earth's warming are already materialising.

In the "Strategy" section of this TCFD statement from page 61, we have described the climate-related risks that we have identified as well as some of the actions we take to manage these risks and ensure our business resilience in the face of a changing climate. On a day-to-day basis, climate-related risks are managed in the parts of our business they have the potential to affect. We believe that taking climate action throughout our operations and supply chain are critically important mitigation strategies. Our net zero 2040 target sets out the pathway to reducing our impact and we provide more detail on the specific actions we are taking in the Metrics and targets section from page 68.

c. Processes for identifying, assessing, and managing how climate-related risks are integrated into the organisation's overall risk management

Virgin Media O2's risk management framework applies core risk management principles and best practices, and is aligned to COSO and ISO31000 guidelines. It's integrated into decision-making at the company so that we can consistently identify, assess, manage and monitor risks, escalating priority risks that could adversely affect the future success of the business.

All risks, risk controls, and mitigating actions are captured in the risk register, which is held within Virgin Media O2's designated Risk Management Information System, managed by the Risk Management Team. We apply risk governance thresholds to all risks, with risks 81 judged to be either Priority Risks; Enhanced Oversight Risks; or Locally Managed Risks. More detailed information is available in the "Our Risk" section from page 77 on risk categorisation and thresholds for determining priority risks.

All priority risks, including climate risk, are reviewed every quarter to check whether there have been any changes to impact or likelihood. The climate risk review is overseen by Virgin Media O2's Chief Communications and Corporate Affairs Officer. Priority risks are reported quarterly via the Audit Committee and EMT and, once identified, the Audit Committee is responsible for reporting any significant issues to the Board.

The Sustainability team hold quarterly meetings with the Risk Management team to review priority and emerging ESG risks, including climate issues, and check whether existing risks have changed their risk profile. Following the qualitative TCFD risk-identification process, which identified the potential introduction of a carbon tax as a transition climate-related risk, it was added to the risk register in 2023. Additionally, we have a Property risk relating to the impacts of extreme weather events on our assets and infrastructure, meaning that all risks selected for quantification are now incorporated in our risk register and consequently subject to increased oversight and governance. We utilised our risk management framework structure to assess and report relative potential financial effects through our quantification exercise. We'll examine the outputs of any additional scenario analysis that we undertake to review how it can be integrated into our risk management processes.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Metrics and Targets

a. Metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process

We report on a global and local basis, both as Virgin Media O2 in the UK and as a contributing organisation to shareholders' (Liberty Global and Telefónica, S.A.) annual reporting processes.

GHG emissions

Our SECR statement from page 56 discloses Scope 1, Scope 2 and limited Scope 3 GHG emissions, as well as an emissions intensity ratio, in line with the GHG protocol. We work with specialist environmental consulting agencies to produce our energy and emissions data, which is externally validated. In 2023, we expanded our Scope 3 emissions methodology and plan to report a full range of Scope 3 emissions in future disclosures.

Emissions methodology

We are in the process of developing an internal emissions calculation policy, guided by the principles defined in the Greenhouse Gas Protocol. This outlines our approach for calculating emissions and ensures our disclosures are assessed against criteria including relevance, completeness, consistency, transparency, and accuracy.

Remuneration

In June 2023, we reached agreement to include ESG metrics in the annual bonus of eligible Virgin Media and O2 employees, with 5% of the bonus linked to carbon reduction targets, specifically our Better Connections Plan net zero target. The Boards of our shareholders, Telefónica and Liberty Global, have ESG metrics in their management annual bonus structure (with climate change making up 5% and 1% respectively).

Additional disclosures

While we have identified transition and physical climate-related risks and undertaken in-depth analysis on the financial impacts of two climate-related risks and started the quantification of one opportunity, we have not yet identified the amount of assets or activities vulnerable to transition or physical risks, as highlighted in the TCFD guidance. Additionally, we do not currently assess the amount of capital expenditure, financing or investment deployed toward climate-related risks and opportunities or set internal carbon prices.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

b. Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and the related risks

We publish Scopes 1, 2 and some Scope 3 GHG emissions in our SECR statement from page 56. In December 2023, we began a new initiative to target Scope 3 emissions reductions, which will lead to us collaborating with significant suppliers to improve emissions reporting and put in place formal reduction plans through contractual changes and one-to-one engagement.

Scope	Primary sources	Data collection methodology
1 – Direct	Emissions that come from sources that are company owned or controlled e.g., a. static combustion (fuel used in generators for heating/power) b. mobile combustion (vehicle fuel from company fleet) c. coolants and propellants used (air conditioning units and fire suppression systems)	Company fuel cards, business travel expenses, third party reports, invoices and site visits.
2 – Indirect	Emissions originating from purchased energy, including: a. purchased electricity b. heat and steam	Electricity consumption invoices, co-location service invoices (i.e. where electricity is estimated by market operations), on-site meters or inverters. Calculated for location-based (using grid-average emissions intensity) and market-based (supplier-specific emissions intensity) methods
3 – Indirect	Emissions come from a range of upstream and downstream sources, including: a. purchased goods and services b. fuel and energy related activity c. transport, distribution and logistics d. operational waste e. business travel: air, road and rail f. employee commuting g. use of sold products h. end-of-life treatment of sold products i. franchises j. investments	Invoices, third party reports, supplier published emissions data and estimated supplier emissions, purchase ledger spend, product lifecycle analysis and product energy testing, expense claims, employee headcount.

Related risks

Reducing emissions in line with our science based aligned targets not only directly addresses our contribution to climate change, but also helps to mitigate some of the transition risks identified in the "Strategy" section of this TCFD statement, for example, in helping to reduce the impact of rising input prices on operational costs. By carrying out quantitative analysis, we are better informed about the potential financial risks of potential future constraints on emissions or as a result of carbon budgets.

c. Targets we use to manage climate-related risks and opportunities and performance against targets

We take a science-based approach in setting bold and targeted goals to reduce our environmental impact, including reflecting the latest science-based emissions reduction targets that are designed to achieve a 1.5°C warming scenario. In 2022, we set the following climate action targets:

1. Become net zero carbon across operations, products and supply chain by 2040.
2. Enable UK customers to avoid 20 million tonnes of CO_2 and support large-scale decarbonisation by 2025.

In 2023, the Science-Based Targets initiative (**SBTi**) approved our net zero targets, judging them to meet all criteria in terms of timeframe, emissions coverage, and ambition.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Net zero

To prevent the worst effects of climate change, the Paris Agreement says we need to reach net zero emissions by 2050. Our target is net zero by 2040, across Scopes 1, 2 and 3 (against a 2020 baseline). The SBTi mandates that companies should reduce their emissions by at least 90% before 2050 and invest in carbon-removal schemes to make up the other 10%.

Our interim targets are:

2025	2030	2040
Reduce operational emissions (Scope 1 and 2) by 60%	Reduce operational emissions (Scope 1 and 2) by 90%	Net zero operations, products and supply chain
Reduce Scope 3 emissions by 25%	Reduce Scope 3 emissions by 50%	Reduce Scope 1, 2 and 3 emissions by 90%

Most of our carbon emissions relate to electricity used to power our network, so our focus is on switching our entire network to renewable energy and removing all possible non-renewable energy across our business. As our network expands and more customers connect to products and services with 5G, there is a carbon cost as energy use increases, so it's vital we continue to focus on using renewable energy sources and driving energy efficiency improvements. We already source 100% renewable electricity at all sites where we directly control the bill.

Actions that we're taking to make progress against our target include:

- Scope 1 – replacing with fire suppression gases for zero carbon alternatives, upgrading air conditioning systems to reduce refrigerant gases, and transitioning company cars to electric vehicles.
- Scope 2 – working with landlords at sites we do not operate to encourage the transition to renewable energy and purchasing REGOs to match to 35% of non-renewable electricity consumption.
- Scope 3 – collaborating with our supply chain to reduce emissions across the goods and services we purchase, supporting more sustainable travel for our employees including enabling hybrid working and tackling waste across our operations.

Enabling others

Alongside our net zero pathway, we also set a target in our Better Connections Plan to help customers avoid 20 million tonnes of CO2 and support large-scale decarbonisation by 2025. Our 4G and 5G technology can help build a greener, more resilient economy by providing connected solutions in smart homes and cities, transport and healthcare. At the end of 2022, we met our original target, following a change in how we calculated the carbon savings delivered by our products and services, using a new methodology developed by our shareholder, Telefónica.

Oversight and best practice

The Environment Steering Committee monitors and tracks performance against our net zero targets. The Board is updated on progress annually and the EMT receive tracking updates on progress against our net zero targets on a monthly/quarterly basis. To make sure we have appropriate internal resource and focus, we have created a net zero transformation project team.

Working with experts in their field ensures our practices remain aligned with latest science-based thinking. We continue to work towards the Carbon Trust's new 'Route to Net Zero Standard' - a certification that helps organisations measure and manage emissions and align targets with climate leadership. We're currently certified at 'Advancing' level.

We have also joined The Climate Pledge to align our environmental commitments with the SBTi's new net-zero standard and are members of the Media Climate Pact which commits us to using our communications platform to change behaviours towards climate-friendly lifestyles.

Stakeholder Interaction – S172(1) Statement

We understand the importance of regular constructive two-way discussions with our stakeholders on how we create value and the delivery of our strategy and success. This is balanced against the needs of the business as we face industry-wide and macroeconomic challenges.

This statement explains how the Board (including the Executive Management Team, (**EMT**)) have acted in good faith in the interest of the shareholders and the group as a whole, whilst having regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006. This includes our obligation to have regard to the long-term sustainability and our stakeholders when taking principal decisions of strategic importance which are significant to any of our key stakeholders.

Stakeholder engagement helps us understand how we can deliver a successful and sustainable business as an integrated communications provider of mobile, broadband internet, video and fixed-line telephony to residential customers and businesses in the UK. Our Corporate Governance framework includes procedures to support the assessment of those matters necessary for us to make informed decisions in our delivery of the long-term success and sustainability of the Company and the Group as a whole. For administrative efficiencies, key stakeholder engagements are conducted at operational level led by the Executives each a sponsor for their business area.

Details of how we have promoted the success of the Group are disclosed in the “Business Overview” section on page 20. Some examples of how we considered matters of concern to our key stakeholders including the outcomes are detailed below with further details in the Corporate Governance Statement on page 92.

STAKEHOLDER INTERACTION – S172(1) STATEMENT CONTINUED

Customers

Our customer base comprises of both consumer, business and public sector customers. Further details discussed in the "Customer" section of the Strategic Report on page 32.

Customer satisfaction is essential to our long-term success and putting our customers at the heart of what we do is a foundational strategic priority for the organisation. Our large customer bases have broad needs and expectations, and the business remains increasingly focused on meeting and exceeding as many of them as possible as the household and businesses economic outlook continues to prove challenging.

Topics	How we engage and monitor	Outcomes
Outstanding connectivity at home and on the move Make every interaction easy Entertain and inspire our customers Build a real relation with our customers Cost-of-living	**How we engage:** We stay as close to our customers through an extensive primary insight calendar and advanced data analytics, ensuring we understand and meet their needs, by: • Continually interacting with all customer types with different product holdings, at different lifecycle stages. • Real-life customer panels to understand customer perspective on drivers of our business in depth. **How we monitor:** • Analyse customer journeys through customer journey measurement framework. • Customer insight from NPS, Social Media communities. • Customer segmentation embedded across the organisation.	We give Virgin Mobile customers double or unlimited data and extra benefits such as access to Priority and extra roaming destinations when moving over to O2's range of plans. We continue to differentiate from other providers through initiatives including inclusive EU Roaming, a 30Mbps Wi-Fi guarantee and Priority. We expanded cost-of-living support for benefit claimants to make it easier and faster to sign up for our social broadband tariffs, Essential Broadband and Essential Broadband Plus. Customers can now prove their eligibility with an automated check. We added additional channels to our video services including 14 FAST channels to TV360, V6 and Stream customers.

STAKEHOLDER INTERACTION – S172(1) STATEMENT CONTINUED

People

Our people are core to the continuing success of our business and the wellbeing of our people is important to us. Further details of our People strategy can be found in the "Employees" section on page 34.

Topics	How we engage and monitor	Outcomes
Employee retention and commitment. Transformation and integration as one business Wellbeing, health and safety	**How we engage:** Quarterly live streams lead by the CEO and the Executives including Questions and Answers session. Workplace, an interactive social platform two-way communication. Executives tour across the country and corporate sites. The focus was to have a dialogue on the cost-of-living with employees. Roadshows and corporate sites visit "Big Conversations" to discuss with the Executives. **How we monitor:** Pulse surveys with a wide range of questions to understand the views and perceptions of employees.	We launched two inaugural leadership development programmes: Galvanize for High Potential and SWITCH for high-potential future black leaders. All outgoing employees are offered a minimum of two-months support covering career coaching, access to workshops covering a range of topics, and online resources. 2022 cost-of-living response continued to deliver into July this year to all employees earning a basic salary of £35,000 or less, with instalments paid between November 2022 and July 2023. Annual Salary Review (**ASR**) this year reflected the continued economic challenges with a tiered ASR. Launched our Health and Safety Week supporting our commitment to ensuring 'Everyone Home Safe and Well'.

Suppliers

We rely on a number of partners for many aspects of our operations, including building our networks, supporting our customers and providing the products and services used by our customers. We procure these products and services both directly and via the procurement services of Telefónica and Liberty Global. The Board and EMT recognise that effective management of suppliers is important to the business reputation and long-term success of the Group. Further details of our supplier relationship and engagement can be found on page 96 of the Corporate Governance Statement.

Topics	How we engage and monitor	Outcomes
Supply continuity and protecting service quality against a volatile geopolitical background has remained a focus in 2023 as we have sought to guard against any risks arising from: • Latent COVID19 impacts • The ongoing Ukraine conflict • Increased energy prices • Concerns over growing China / Taiwan tensions • UK and global inflationary trends • Potential impacts from the ongoing Israel Palestine conflict	We have maintained a dialogue with selected suppliers and our external procurement service providers to understand any potential exposure and impacts to our supply chains sharing permitted intelligence on such issues as necessary.	Despite the volatile geopolitical background our supply chains have proven to be resilient, and we have successfully maintained supply and customers service quality. Key to this success is a Virgin Media O2 willingness to work with proactively with suppliers to address any issues that may impact quality or their ability to deliver as planned.

STAKEHOLDER INTERACTION – S172(1) STATEMENT CONTINUED

Suppliers continued

Topics	How we engage and monitor	Outcomes
Working with our partners and the sector to tackle climate change.	To address climate change, we set bold Net Zero goals and have integrated requirements into our procurement process to support them. These requirements are designed to make supplier decarbonisation and climate protection an outcome of our engagement with major suppliers and to align suppliers to our declared ESG goals. We have identified the contributions made by individual suppliers to our carbon footprint and engaged with the most significant suppliers to seek to reduce their carbon impacts. We have worked with suppliers to identify and drive opportunities to decarbonise specific products. We periodically measure our carbon footprint to ensure we are proceeding toward our ESG goals.	We are in the process of assessing our 2023 supply chain emissions and are continuing to engage our suppliers on emission reduction. To bring greater focus and pace to this engagement we are working with leading sustainability resources within the sector to target and engage suppliers that make the greatest contribution to our carbon footprint, establishing emission baselines, and solution level emission reduction plans with them. Where possible we are ensuring the reduction plans are underpinned by solution life cycle assessments. Additionally we are assessing and developing the emission management capability of selected sectors of our supply chain.
Strengthening, clarifying, and consolidating our supply chain standards and expectations of suppliers.	During 2023 we consulted and developed a new supplier facing code of conduct that adopts the latest best practice and that combines the codes historically used by our individual operating business into a single Virgin Media O2 Supplier code of conduct that will be launched in the coming year and used by all Virgin Media O2 business. We continue to practice risk-based supply chain sustainability due diligence working independently, with our shareholder parents and with sector initiatives to ensure compliance with our standards and to develop sustainability in our supply chains.	We identified no significant sustainability concerns in our supply chains in 2023.

STAKEHOLDER INTERACTION – S172(1) STATEMENT CONTINUED

Regulators

Our regulators are important to delivering on our purpose, a connectivity champion and provide services to our customers at affordable prices in a competitive market whilst taking into account the wider economic challenges impacting businesses and customers. Further details of our engagement with our regulators can be found on page 95 of the Corporate Governance Statement.

Topic	How we engage and monitor	Outcomes
Spectrum utilisation and opportunity. Ofcom's publication 'Our expectations of mobile providers' with respect to 3G and 2G switch off. Future spectrum availability. We responded to Ofcom's publication of spectrum roadmap and WRC-23 preparation as our position. Customer affordability. Cost-of-living, affordability and financial vulnerability in relation to broadband. Net neutrality.	**How we engage:** Regular CEO roundtables, executive steering working groups. Monthly working groups on matters of that important to the delivery of our purpose. Informal and formal meetings on cost-of-living. **How we monitor:** Participation in formal consultation and response to publications.	Ofcom amended the 2.6GHz TDD spectrum licence to unrestricted use which would enable us to have more flexibility on the use. We announced that we will switch off 3G in 2025. Ongoing discussion on the long-term sustainability of the mobile spectrum as our position, is that additional spectrum must be reserved for mobile use. We have expanded our broadband social tariff offering and are in the process of developing a mobile social tariff. Ofcom is also reviewing the practice of linking in contract price rises to inflation. We have provided input to this exercise and will continue to engage following an expected consultation at the end of 2023. Conducted a review of the net neutrality framework, Ofcom has published updated guidance, affording ISPs and MNOs significantly more flexibility to manage traffic on their networks and develop innovative new services. We will now engage with Government as we seek more substantive reform via changes to the underlying legislation.

STAKEHOLDER INTERACTION – S172(1) STATEMENT CONTINUED

Investors

In addition to the shareholders of the joint venture, we have a significant number of debt holders. Regular engagement with our shareholders, bondholders, banks, ratings agencies, sell-side analysts and industry analysts is important and we seek to embrace it as part of a two-way communication in conjunction with our shareholders. We understand that it is important to promote the interests and remain committed in delivering value for stakeholders.

Topic	How we engage and monitor	Outcomes
Ensure shareholders, including Investor Relations (**IR**) teams, have an understanding of Virgin Media O2 including the latest trends, risks and opportunities. Ensure current and potential investors understand the investment proposition of the business, directly and through other external stakeholders including ratings agencies and sell-side analysts.	**How we engage** Explaining the investment proposition, actual performance, and answering the questions of investors and other external stakeholders. Ensuring our employees have an understanding of investor and other external sentiment towards Virgin Media O2 and the wider market. **How we monitor** Daily monitoring of sentiment from all external parties towards Virgin Media O2, both directly and through our shareholders. Including updates to the EMT on investor and analyst sentiment and reports on shareholder share price performance. The CEO and CFO directly meeting with investors and other external stakeholders to improve understanding of the sentiment of the business.	Delivery of quarterly results reporting, explaining the performance and developments of the business. Support for shareholder quarterly reporting including CEO attendance at quarterly shareholder earnings calls and Capital Market Days. Engage investors through management and IR meetings in conjunction with shareholder IR teams. Updates of the corporate website for significant news.

Our Risk

Risk Management

Our approach helps us in realising opportunities which deliver value creation and preservation, by effectively managing risks that could otherwise hinder these positive outcomes. Ultimately risk management activities help improve the Company and Group's position.

The Risk Management framework and process operates Group-wide. There are operational thresholds in place to escalate and drive enhanced oversight of risks in accordance with the Group's risk appetite. Risk management helps us to strike the optimal balance of how much uncertainty to accept whilst seeking value generation for all our stakeholders by:

a. Aiding alignment of risk appetite and strategy
b. Enhancing risk response decisions
c. Reducing operational surprises and losses
d. Identifying and managing multiple and cross-enterprise risks
e. Helping seize opportunities
f. Improving deployment of capital

Governance and Reporting

Our risk management model is aligned to both Committee of Sponsoring Organizations of the Treadway Commission (**COSO**) and International Organization for Standardization (**ISO**) 31000 guidelines and is integrated into the management of our strategy, objectives, operations, and transformational activities. Additionally, management has established a culture of accountability for risk, embedding risk management into the responsibilities of all employees. Our risk governance model enables aligned risk oversight across operational divisions, delivering an enterprise-level view to senior management with focus on significant and emerging risks facing the business.

The JV Board is responsible to the Company, Group, and its two shareholders for oversight of the Risk Management programme. This responsibility has been delegated to the Audit Committee, which performs the following Risk Management oversight functions:

a. Ensures that management has established an appropriate risk management programme;
b. Obtains periodic updates on relevant risks included in the Company's risks register;
c. Obtains periodic updates from management to review the adequacy of mitigation plans to address key risks in the underlying risk register; and
d. Reports to the Board significant risks that are either not sufficiently mitigated or where mitigation plans have not been executed on a timely basis.

Risks are housed in the risk register and categorised into three profiles to ensure appropriate oversight and proportionate focus on risks in accordance with the risk appetite of the Group. The risk profiles are based on the likelihood of their occurrence and the potential impact on the Company and Group. Controls and action plans to mitigate the risks are also tagged to the risks and monitored. The Priority risks are reported periodically to shareholders via the Audit Committee and to our EMT; the Enhanced Oversight risks are reviewed by the Wider Leadership teams at agreed frequencies; Locally Managed risks have local proportionate oversight by the accountable business area with escalation as appropriate.

OUR RISK CONTINUED

VMED O2 Risk Governance

Top-down Approach
Oversight of priority risks and Risk Management process

Joint Venture Board
Oversight of Risk Management program

Audit Committee
Delegated responsibility for oversight of Risk Management program, including:
- Discuss priority risks and steps to monitor/control exposures
- Escalate to Board any significant risks either not sufficiently mitigated or where mitigation plans have not been executed on a timely basis
- Approve risk management policy and framework

Executive Committee
Review priority risks
Additional risk treatment oversight, as appropriate

Directorate Senior Management
Responsibility for risk treatment decisions and oversight
Responsibility for accuracy of risk register

Bottom-up Approach
Identification, assessment, and management of operational risks

Third Parties providing assurance

Internal Audit | **External auditors** | **Other external audits**

a) Risk Identification

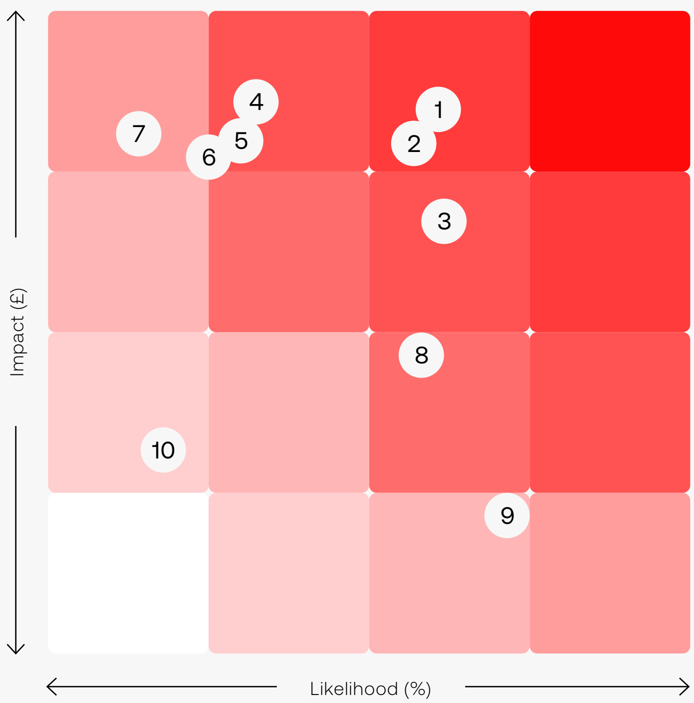
Risks are identified and captured at all levels, in all areas of the business. Input comes from various sources and forums, including strategic planning, regular risk review meetings; our operational teams; Governance, Risk, and Compliance functions; horizon scanning and monitoring of emerging risks. Risk identification activities are a continual part of the risk process operating in Virgin Media O2, considering both internal and external sources of risk to the effective delivery of the company and Group's strategy such as its operations, and transformation activities. We use ongoing monitoring to manage the triggers that could crystallise these risks and turn them into risk events.

b) Risk Assessment

All risks are assessed to determine their importance, appropriate prioritisation, and risk response. The combination of impact and likelihood provides the rating and profile of the risk. In addition, but separate to the rating and profile, we also consider proximity, which indicates how quickly the risk may materialise and so helps further determine appropriate prioritisation and response. The combination of the impact and likelihood assessment is illustrated on the Virgin Media O2 Risk Assessment Matrix, which also shows the 2023 Virgin Media O2 Principal Risks and is reviewed annually.

OUR RISK CONTINUED

VMED O2 risk assessment matrix



2023 Principal Risks		Trend YoY
1	Legal, Regulatory, and Compliance	↑
2	Market Dynamics	—
3	Security and Privacy	—
4	Transformational	—
5	Supply Chain	↑
6	Technology	—
7	Financial	—
8	ESG	—
9	Economic and Political	—
10	People	—

For further background on the 2023 business context please see the previous sections of the strategic report.

c) Risk Response

Once a risk has been identified and assessed, the risk owner determines the most appropriate response for the business. In doing so, they consider the risk appetite of the business, and the benefits and opportunities as well as the resources required and exposures of the different options. If the response is to reduce the mix of likelihood and impact of the risk, the risk owner sets a measurable and achievable target and date. The main risk response options are as follows:

Avoid
This is where we choose to not proceed with the activity which would give rise to the risk. This is usually applied in cases where the risk exposure is unacceptably significant (sits outside of our risk appetite) or outweighs the opportunity we were exploring.

Mitigate
This is where we take actions to reduce the likelihood and impact of the risk, thus reducing the company's exposure. Changing the impact can sometimes be through insurance or sharing/transferring the risk exposure with/to third parties.

Accept
This is where we agree to accept the current exposure of the risk, taking no further action to reduce it, and knowing it could impact the business.

Defer
This is where we want to reduce the risk but are not able to proceed yet. This is differentiated from 'accept', as further exposure reduction is intended at some point. This is typically where a risk requires funding/resources which are currently not prioritised compared to other investment choices.

Monitor
This is where we are not taking new actions to reduce the exposure, however controls are in place and being operated to prevent the risk exposure increasing. This is differentiated from 'accept', as the business is operating controls to help prevent an impact/exposure increasing.

OUR RISK CONTINUED

Principal Risks and Uncertainties

All risks in our framework are linked to one of 10 principal risk categories, through which all risks are analysed, reported, and managed. These categories and our enterprise-wide approach collectively ensure we undertake aligned micro and macro analysis of Virgin Media O2, the external environments, and the markets in which we operate to identify and manage applicable risks. This enables management to effectively direct their focus to material risks, helping us to focus on upgrading UK connectivity, whilst living our values of Brave, Real, and Together.

Our risks

The section below details our Principal Risk Categories, example risks, and how we are monitoring and managing them:

Legal, Regulatory and Compliance

Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Why this is important: We are subject to many different regulations and laws in order to operate as a business and deliver positive customer journeys and outcomes. We also have contractual and Intellectual Property obligations to adhere to whilst providing our products and services. **What we consider:** a. Current applicable laws and regulations relating to our market, customers, technology, people, and divisions. b. Emerging and evolving laws and regulations. c. Contractual performance and litigation.	a. We continue to review internally and as appropriate, regulators, on compliance with regulations, laws, and corporate governance obligations, to protect us from penalties, sanctions, and loss of licenses. Through horizon scanning we keep abreast any new proposed regulations which may impact us and any emerging industry wide risks. b. We contribute to consultations by Government and our regulators to influence the direction and content of legislation and regulation as it is developed. c. We provide responses to formal requests for information from relevant regulatory bodies to be managed in accordance with our Information Request Governance Policy. d. Our internal legal counsel, supported by external legal counsel where required, drafts contracts to protect the Company and Group, including actively negotiating terms and securing the right protections for Virgin Media O2. e. disputes are managed by our internal legal counsel who protect the Company and Group's assets and interests and limits exposure to risk and liability. Specialist external resource is also used where required. f. We require employees to take a range of regular relevant compliance training modules, whether through electronic means or bespoke training content delivered by in-house specialists, as appropriate.	↑ Due to perceived regulatory expectations and direction of travel.	a. Unintentional non-compliance with an element of UK regulation. b. Litigation risks arising from contractual relationships with third parties. **Emerging risks:** Regulations and laws are constantly evolving and emerging and we are constantly mindful to prevent unintentional non-compliance. Examples in 2023: TSA and Financial Conduct Authority (**FCA**) Consumer Duty.

OUR RISK CONTINUED

Market Dynamics

Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Why this is important: The UK Telecoms sector remains a highly competitive environment with many factors driving change. It is therefore key that we suitably adapt our strategy, brands and offerings to remain relevant and competitive considering these ever-changing variables. **What we consider:** a. Emerging technologies. b. Competitor activity and positioning, such as pricing, speed and convergence. c. Customer behaviours and preferences, including in light of the economic environment. d. Our business model, unique assets and capabilities.	In a competitive and fast changing operating environment, having a clear strategy is key to ensuring the organisation remains focused on the most important activities. a. Our corporate and business strategy teams monitor risk from competitors' evolving strategies. A 'State of the sector' report is produced quarterly and shared with our EMT. b. Robust governance with regular JV board, Audit Committee, EMT and Senior Leadership Team steering committees on strategic topics. c. Monthly tracking of Objectives and Key Results (**OKR**s) to measure and report against strategy execution. d. Sales and marketing teams monitor and report on competitor trading and campaign activity reporting back to the EMT. e. Insight teams track and report on changing customer attitudes and behaviours.	— Remains a prominent area of risk given a challenging economic environment with an increased cost-of-living and competitor activities.	a. Risk of competitor inorganic activity due to mergers and acquisitions in the telecoms market. b. Disintermediation risks **Emerging risks:** Network overbuild.

OUR RISK CONTINUED

Security and Privacy

Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Why this is important: When customers use our products and services, they expect and trust that we use their information responsibly and in line with relevant laws, which is why the responsible and compliant use of information is central to our data governance and security practices. We must be able to provide services, prevent the loss of data to ensure consumer information remains confidential, maintain system integrity, and ensure personal data is available to each consumer. **What we consider:** a. The Data Protection Act 2018, UK General Data Protection Regulation (**UK GDPR**), Privacy and Electronic Communications (**EC Directive**) Regulations 2003 and other applicable regulations. b. Codes of practice and guidance published by the Information Commissioner's Office. c. ISO 27001 as our foundation for information security controls, and other applicable standards. d. The ever-evolving security landscape, security threats and our security posture. e. New business initiatives and the associated potential security risk implications.	a. Our Security function ensures our data is protected from external and internal threats: i. The security risk approach defines the security-specific risk management requirements, security risk appetite, security risk ownership model and risk categorisation. ii. Enhanced security risk reporting generates business discussions on the security risk profile at Operational Security Committee meetings. b. Our Digital Security function: i. Provides guidance on Digital Risks, Controls, and Compliance - enabling us to accelerate growth securely as we digitalise our business and customer channels. ii. Embeds security into the Product and Application development lifecycle. iii. Establishes a continuous culture of security excellence, striving for "Security by Default" in all initiatives. c. Our Data Protection Office advises across the business on our privacy obligations, including monitoring regulatory developments, and monitors compliance. d. Our Data Legal team advise our business on the application of relevant data protection law to our data practices and help us ensure our data sharing arrangements with third parties are compliant. e. Our Privacy Management function verifies our use of data and supports the identification and management of privacy risk relating to the processing of customer data in line with our obligations and internal policies. Our internal audit team and external advisors assess the effectiveness of our programmes and controls.	This area of risk remains inherently present given the nature of our business and the UK and global security environment.	a. A direct or indirect data breach. b. Unintentional non-compliance with associated regulations. (see "Legal, Regulatory and Compliance" section) **Emerging risks:** AI security/data leakage.

OUR RISK CONTINUED

Transformational

Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Why this is important: Successful design and delivery of change programmes is key for our business given the ever-evolving market we operate in. The execution of our transformation programmes will realise the anticipated strategic and commercial benefits. This is in addition to our continuous operational improvement as we deliver a customer-centric organisation, efficiencies, and Compliance by Design. **What we consider:** a. Design and delivery of our customer-first mentality and ever improving customer experience. b. Prioritisation of transformational activities as we deliver our strategy and value creation for our stakeholders. c. Synergy and efficiency opportunities in our operations. d. Compliance by Design: putting compliance at the heart of process design. e. Resilience, security and capacity across our operations and systems and their timely modernisation.	a. Prioritisation of change programmes, including a review of risk, through our Investment Committee. b. Robust governance: change programmes are regularly reviewed by the senior leadership team and EMT at steering committees. c. Regular tracking of OKRs and KPIs impacted by transformation. d. Post-implementation reviews to understand impact and ensure lessons are documented for future transformation.	— The joint venture continues to integrate and transform its offerings and business. Despite this, we have not seen an increase in risk in this area.	Major programme failure causes operational/ customer disruption and brand damage. **Emerging risks:** Future transformational risks may arise as we continue along our integration and transformation roadmap.

OUR RISK CONTINUED

Supply Chain

Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Why this is important: a. Like most large operators our delivery is underpinned by a global supply chain. Our supply chain is delivering against a background of various geopolitical risks and inflationary pressures. We rely on our supplier partners for important aspects of our operations, including the provision of products and services to our networks and customers. b. To deliver customer value and a great customer experience we must carefully manage our supply chain across many elements including quality, risk, and sustainability. **What we consider:** a. The capability of suppliers to deliver the products and services we need and the value they bring to our business and our customers. b. How well suppliers uphold our business values and align with our ESG goals. c. The inherent risk in trading with specific suppliers. d. How our suppliers are impacted by geopolitical events and emerging economic issues.	a. We contractually commit suppliers to our supplier code of conduct, which covers aspects of the Modern Slavery Act, along with quality and sustainability requirements with integrated ESG goals. b. Our supplier management activities include risk-based due diligence and supplier financial stability monitoring. c. We segment our management of suppliers to prioritise engagement with critical partners and run supplier reviews of various types to manage selection, delivery compliance, quality and risk. d. We conduct sustainability audits, reviews and modern slavery risk management reviews with suppliers operating in at-risk sectors and / or geographies. e. We share information and intelligence across the business to ensure we mitigate any principal risks to our quality, risk, and sustainability requirements with high volumes of materials recycled or redistributed to offset impacts. f. We work with our shareholders to pool Supply Chain intelligence and with sector initiatives to focus and develop sustainability with common suppliers.	Technology and customer evolution expectations present new contractual and supply delivery risks in 2023.	a. Customer technology expectations creating changes in supply and demand. b. CPE/component parts availability.

OUR RISK CONTINUED

Technology

Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Why this is important: Customers have an ever-increasing demand for our services and products and our technology underpins their experiences. In order to continue to improve our customers' experience, it is key our offering, networks, and systems keep pace with demand and expectations to deliver a high quality of customer experience. **What we consider:** a. Ageing technologies. b. Technology maintenance. c. Technology protection, including security. d. Capacity. e. Technology evolution and innovation.	a. We have an annual targeted programme of technology refresh to address obsolescence and any associated or developing security risks. b. We have a number of ongoing projects, focusing on resilience, obsolescence, replacement, transformation, and innovation, that aim to improve our network and services for customers. c. Our Digital Technology and Security functions design and build secure digital platforms that are optimised to meeting the needs of our customers while providing high performance and functionality.	Our end-state architecture and transformational programmes have been successful in reducing exposure in this area and are expected to continue to do so. At the same time this area of risk is inherently important given our business and requires continual investment to continue to deliver leading technology-based services to our customers.	Customer experience is impacted by network performance and availability **Emerging risks:** On-going technology evolution combined with customer expectations and competitor offerings. Refer to "Security & Privacy" section for further Technology emerging risks.

Financial

Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Why this is important: Planning for and managing adverse movements in financial variables, so that we continue to meet our financial commitments. **What we consider:** a. The economic environment and financial market conditions regarding interest rates, inflation, foreign exchange rates, taxes and access to capital markets. b. Asset impairment. c. Counterparty risk. d. Changes in and compliance with accounting standards. e. Our pension schemes and related funding commitments. f. Our cash generation, liquidity, ability to pay dividends, and ability to refinance debt. g. Creating sustainable value for stakeholders.	a. Regularly reviewing actual and forecast cash flow performance. b. Performing regular viability assessments and conducting scenario analysis. c. Shareholders agreement for Treasury Services agrees shareholder responsibilities for management of capital markets activity which includes lender relationship management. d. Undertaking treasury risk management processes with Executive committee and Audit committee oversight, including hedging interest rate and foreign exchange risks.	Key financial considerations remain, but stable position year-on-year.	a. Various Treasury-related risks due to financial variables and the structure of our financial vehicles. b. Pension liability uncertainty. **Emerging risks:** Persisting macroeconomic and commercial trading factors with the ability to disrupt performance.

OUR RISK CONTINUED

ESG

Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Our principal ESG risk is climate change. For details regarding ESG risks associated with our Supply Chain and People, see separate entries in this table. **Why this is important:** We are facing a climate emergency. Earth's warming is accelerating and extreme weather events are worsening, to devastating effect across the globe. The World Meteorological Organization has reported that 2023 will be the hottest year ever recorded, while The World Economic Forum's 2023 Global Risks Report identifies four environmental risks as the greatest risks for the coming decade, with failure to mitigate climate change classified as the top risk. **What we consider:** Climate change has the potential to impact the resilience of our business, so we are taking steps to ensure that we understand the possible impacts and consequences in the short, medium and long-term of physical and transitional climate-related risks, as well as considering any climate-related opportunities that may arise. Assessing the likelihood and impact of a range of risks, and integrating them into how we plan and make decisions, helps us to future proof our business. Please refer to the Taskforce on Climate-Related Financial Disclosures statement, which explains how we identify, manage and mitigate climate-related risks.	We continuously monitor and mitigate our responses to the consequences of our changing climate, taking a range of actions, including: a. Setting science-based goals to reduce our emissions. We have committed to achieving net zero carbon emissions across operations, products and supply chain by 2040. Our targets have been approved by the Science-Based Targets initiative, a global body that ensures business targets are in line with the latest climate science. b. Switching our network to renewable energy: we use 100% renewable energy at the sites where we directly control the bill and are working with landlords at sites we don't operate to encourage the transition to renewable energy. c. Focusing on driving energy efficiency improvements, e.g., replacing fire suppression gases for zero carbon alternatives, upgrading air conditioning systems to reduce refrigerant gases, and transitioning company cars to electric vehicles. d. Ensuring resilient systems are in place to support any potential failures of air-conditioning units in case high temperatures affect the effectiveness of cooling units at network sites. e. Installing flood prevention systems on sites where potential localised ground water flooding has been identified as a risk.	Due to the nature of these risks, they are long term and relatively stable.	Risk to Virgin Media O2 assets and infrastructure, and those of our supply chain, due to increased frequency and severity of extreme weather events – resulting in business disruption. **Emerging risks:** Risk of volatility of energy and production costs, or the introduction of a formal carbon pricing system – leading to increased operating costs. Please refer to page 58 in Virgin Media O2's TCFD statement. The "Strategy" section provides details on further physical and transitional climate-related risks.

OUR RISK CONTINUED

Economic and Political

Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Why this is important: Economic and political factors present a dynamic set of challenges and risks for us to consider. We are resilient but not immune to negative changes in the economic environment or political activities with the potential to disrupt the UK Telecoms sector. **What we consider:** a. Changes to the legislative and policy environment driven by the government and economic motivations that impacts areas in which Virgin Media O2 and its supply chain operates. b. Changes in the global and UK economy and financial markets, such as inflation; economic growth or recession; increased cost-of-living; pressure on labour market; interest rates and energy costs.	We are actively monitoring the evolving economic and political environments to determine how they could impact our operations and performance: a. We pro-actively engage the respective government departments and parliament to understand the political and policy environment. b. We provide input into the respective consultation and draft legislation including supporting evidence to support our position. c. Individual divisions consider the specific economic drivers affecting their areas and adjust their risks, budgetary commitments, and forecasting as required.	Whilst the economic and political environment has been challenging, this has been embedded in our business plan for 2023.	Risk of reduced revenue due to the cost of living crisis. **Emerging risks:** Persisting macroeconomic and commercial trading factors with the ability to disrupt performance.

OUR RISK CONTINUED

People

Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Why this is important: We are brave, real, and together and we are reimagining how we attract, develop and excite inclusive, empowered and high performing teams. Maintaining and upskilling our workforce is one of the critical enablers in achieving our medium and long-term growth plan in a sustainable way. **What we consider:** a. Hiring needs of the business, including succession planning. b. Clarity of roles and business objectives. c. Development offerings considering both business and individual needs. d. Providing competitive benefits and recognition of our people. e. The diversity of our workforce including equal opportunities. f. Providing a psychological safe and enabling culture. g. Employment legislation.	We manage our growth plan via our People Strategy: Our People Strategy is based on pillars aligned to our people needs & our growth plan. The core pillars are Empowering, Igniting growth, Celebrating contributions, and Building a conversation of culture. Based on the above, we are focused on: a. Accelerating the transformation of our Target Operating Model. b. Simplifying how and where we work. c. Skills-based Talent Management. d. Celebrating One High Performing Team Virgin Media O2. e. Cultural reset and rebuilding engagement. f. Embedding DE&I across all our priorities.	Due to the nature of these risks they are relatively stable.	See pension-related risk in Financial section and Transformational risks in Transformation section.

The Strategic Report was approved by the board on 1 May 2024 and signed on its behalf by:

E Medina Malo
Company Secretary

Corporate Governance Report

Directors' report

Under the requirements of the Companies Act 2006, we are pleased to present the Directors' Report for the year ended 31 December 2023. The report does not include matters of strategic importance which are disclosed in other parts of the Annual Report and referenced accordingly.

Directors

The Directors who served during the year and thereafter were as follows:

L Abasolo García de Baquedano
C H R Bracken
P A Erskine
M T Fries
E Rodriguez
A V Salvato
Á Vilá Boix
J M Álvarez-Pallete López

Directors' insurance and indemnities

The Directors of the Company have been indemnified against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision is in force for Directors serving during the financial year and as at the date of approving the Directors' Report.

Corporate Governance Statement

Details of our governance arrangements are set out in a separate, Corporate Governance Statement, shown on pages 92 to 96.

Stakeholder Statement

Details of how we have fostered business relationships with suppliers, customers, and other stakeholders and the effect on principal decisions can be found in the Section 172(1) Statement on page 71 and the Corporate Governance Statement on page 92.

Employees

See "Employees" on page 34 for further information on the treatment of our employees including the considerations for disabled persons.

UK Employee Engagement Statement

We solely operate in the UK and our people are based in the UK, apart from a handful which are seconded to other Group companies from time to time. Details of our people engagement and how we have had regard to matters of concern to them can be found in the "Employees" section of the Strategic Report on page 34 and in Principle 6 of the Corporate Governance Statement on page 95.

Energy and Carbon Report

Details of our energy and carbon emissions during the year ended 31 December 2023 are set out in a separate report, Streamlined Energy and Carbon Statement on page 56 which forms part of this Annual Report.

Dividends

The total cash dividend paid to shareholders totalled £2.0 billion (2022: £1.6 billion).

Political Donations

In accordance with VMED O2 policy, no political donations were made or political expenditures incurred in accordance with the Companies Act 2006 during the financial year ended 31 December 2023 (2022: nil).

Research and Development

Further details of research and development can be found in the Business Overview - "Networks" section on page 29.

Financial Risk Management Objectives, Policies and Exposure

Details of the Group's approach to financial risk management objectives and policies are set out in the financial statements in note 18 "Financial risk management".

DIRECTORS' REPORT CONTINUED

Capital Structure and Rights Attached to Shares

The details of the Company's capital structure including the rights attached to shares is detailed in note 28 of the financial statements.

Going Concern

The financial statements have been prepared on a going concern basis. The following paragraphs summarise the basis on which we have reached our conclusion.

After making suitable enquiries and obtaining the necessary assurances, we have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Whilst forecasts and projections, which account for reasonably possible downsides in trading performance, have not been prepared at the Company level, they have been prepared for Group. These forecasts and projections showed that cash on hand, together with cash from operations and the revolving credit facility, are expected to be sufficient for the Group's cash requirements through to at least 12 months from the date of this report.

Taking into account these forecasts and projections and after making enquiries, we have a reasonable expectation the Group has adequate support and resources to continue in operational existence for at least 12 months from the date of the signing of these financial statements.

For these reasons the directors continue to adopt the going concern basis in preparing these financial statements as set out in the financial statements in note 2 "Significant accounting policies".

Subsequent events

In January 2024, we drew down €20.0 million under Term Loan Z. The proceeds will be used for refinancing.

In January 2024, we utilised the Revolving Facility, drawing down an aggregate amount of £360.0 million, which was subsequently repaid in February and March 2024.

In February 2024, we reduced our 2026 tranche of the Revolving Facility by £54.2 million.

In March 2024, certain lenders under Term Loan X extended the maturity of their commitments to 30 September 2029. This was effected by way of such lenders under Term Loan X converting their respective commitments in Term Loan X into commitments under a new Term Loan X1. Following the conversion, the residual principal amount of commitments remaining in Term Loan X was £283.7 million (this was subsequently reduced by £46.8 million to £236.9 million on 25 March 2024) and the principal amount of Term Loan X1 is £750.0 million (which includes additional borrowing of £33.7 million). The additional proceeds, £33.7 million, will be used for refinancing.

In April 2024, we issued €600.0 million principal amount of Euro denominated Senior Secured Notes and $750.0 million principal amount of U.S. dollar denominated Senior Secured Notes. These were issued at par, mature on 15 April 2032 and bear interest at 5.625% and 7.75%, respectively. The proceeds from these 2032 Senior Secured Notes were used to (i) purchase and cancel £259.4 million outstanding 104 principal of our existing 2027 Sterling Senior Secured Notes and (ii) repay £296.1 million, £258.7 million and £236.9 million of Facility L, M and X, respectively, under VMED O2 Credit Facilities. As per our policy, the interest and foreign currency risk of such refinancing activity is mitigated through our derivative portfolio.

On 9 April 2024, the shareholders approved a capital reduction supported by the solvency statement made by the Directors in accordance with the provisions of the Companies Act 2006, by way of a reduction to nil of the amount credited to the share premium reserves. The capital reduction is effective from 10 April 2024.

Disclosure of Information to the Auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow director and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor
KPMG LLP will be reappointed under section 487(2) of the Companies Act 2006.

The Directors' Report was approved by the board on 1 May 2024 and signed on its behalf by:

E Medina Malo
Company Secretary

Corporate Governance Statement

The Company is part of Virgin Media O2 and the Directors have adopted the Virgin Media O2 governance framework for the year ended 31 December 2023 which applied the Wates Corporate Governance principles, in accordance with the Companies (Miscellaneous Reporting) Regulations 2019, during the reporting year as summarised below.

Reference to Shareholders refers to the ultimate Shareholders, Telefonica and Liberty Global.

Principle One: Purpose and Leadership

The Board (**Joint Venture Board**) continues to provide entrepreneurial leadership which sets out the Group's long-term strategic direction and challenge to the EMT implementation of the strategy to deliver sustainable success and value to the Group's stakeholders.

In support of our ambition of being a converged champion and the UK challenger with customers at the heart of what we do, during the year we redefined the Group's purpose as "See What You Can Do" as we aim to continue to put customers at the heart of our business decisions and deliver great customer outcomes through our products and services. We have established a broader behaviour framework through our core values Brave (encourage to be bold, creative, accountable and innovative), Real (encourages honesty and being authentic, respectful and transparent) and Together (encourages empathy, agility and inclusion) which we continue to embed throughout the organisation through continuing engagement at all levels, such as regular conversations in corporate sites, roadshows, livestreams, workplace and smaller focus groups.

Further details of how the Group has delivered on its purpose during the year is set out in the Business Overview on page 20.

Principle Two: Board Composition

The Board consists of mixed nationalities and continues to remain fit for purpose in relation to the size and complexity of the Group, given the collective expertise and global experience of the Board members. The Board consists of eight Shareholder Directors. The provisions to deal with conflicts of interest are set out in the articles of VMED O2 and the Shareholders' Agreement. In addition, any permitted conflicts of interest between the Company and the Shareholders is overseen by the Framework Service Agreement, which sets out the rules of engagement between the Shareholders and the Group.

The Chair of the Board does not have a casting vote. The Chair is rotated biennially between the Shareholders and the current Chair is a Telefonica appointed Director. The Board has ultimate control of the Group's governance framework and retains oversight and accountability of certain Shareholder Reserved Matters as determined by the Shareholders Agreement.

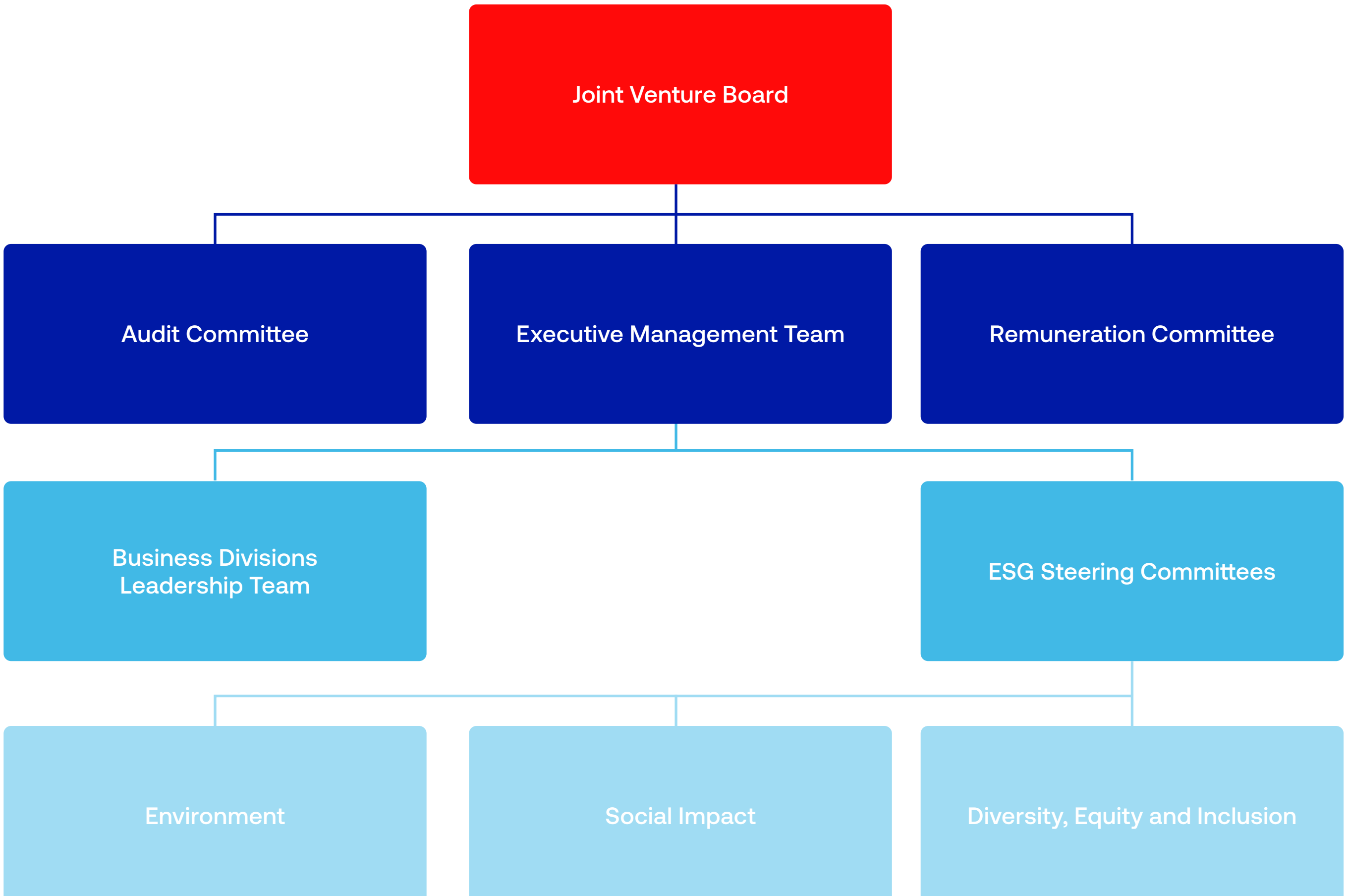
The Executives have the delegated responsibility for the day-to-day management and operational control of the Group's activities in accordance with the business plan in place from time to time. The Executives, led by the Chief Executive Officer (**CEO**), are gender diverse and of mixed nationalities with diverse skills and a wealth of experience and expertise. Details of the EMT's biographies can be found on the corporate website.

The Executives are supported by the Leadership team, which comprises of professional and experienced individuals that oversee specific business divisions. The Leadership team regularly update and advise the Board and Executives on significant matters which impact their business divisions.

The Executives have three expert sub-committees - Environment; Social Impact; and Diversity, Equity and Inclusion - to oversee delivery of the Virgin Media O2 ESG strategy known as our Better Connections Plan and to monitor progress against its goals and targets. The sub committees are each sponsored by an Executive and comprised of subject matter experts across the organisation. Periodic updates from the sub committees are provided to Audit Committee and Executives, ensuring senior oversight of our sustainability endeavours including our supply chain sustainability oversight.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Governance Framework as at 31 December 2023



Joint Venture Board

- José María Álvarez-Pallete (Chair)
- Michael Fries
- Peter Erskine
- Ángel Vilá
- Charles Bracken
- Enrique Rodriquez
- Andrea Salvato
- Laura Abasolo

Executive Management

- Lutz Schüler (Chair)
- Patricia Cobian
- Jo Bertram
- Christian Hindennach
- Jeanie York
- Robert Orr
- Enrique Medina
- Julie Agnew
- Adrian di Meo
- Nicola Green
- Kay Schwabedel*
- Philipp Wohland

Audit Committee

- Charles Bracken (Chair)
- Laura Abasolo
- Bryan Hall
- Pablo de Carvajal

Remuneration Committee

- José María Álvarez-Pallete (Chair)
- Michael Fries
- Ángel Vilá
- Andrea Salvato

*In January 2024 Roy Hage replaced Kay Schwabedel as Chief Digital Officer, in the interim.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Principle Three: Directors Responsibilities

The role of the Chair of the Board is separate from the CEO, who is not a Board member but attends the Board meetings to provide updates on the Executives delegated responsibilities. The structure allows the Board to meticulously challenge the implementation of the Group's strategy, position and performance. The Board is assisted by the Audit Committee which have clear terms of reference and consists of two Board members in addition to the Shareholders' General Counsels, the Chair of the Audit Committee has the appropriate level of financial qualification and experience. The Audit Committee oversees the Group's risk management and internal control framework. The Remuneration Committee, whose detailed terms of reference consists of two Board members, are responsible for setting the remuneration policy and practices for the Group.

The Board and Executives are ultimately responsible for the Group's internal control framework, and together with the Leadership team are committed to maintaining a robust control framework which accords with the delivery of good governance, and the effective oversight of the operational controls through the delegation of authority processes. Further details of our internal control framework are set out in the Anti-bribery and Corruption Framework on page 47.

The Board had bimonthly meetings with standing agenda items of strategic importance to ensure enough oversight of the Group's position and performance. During the year, the Board considered the three year plan including the delivery strategy and operating model. The Group successfully acquired Upp Corporation Limited, a quality regional fibre network that already connects homes and businesses in the East of England, thereby expanding our gigabit footprint by around 175,000 premises.

Principle Four: Opportunity and Risk

Our approach to risk management is to support the business to identify and realise opportunities which deliver value creation and preservation, to aid our employees to effectively manage risks, and ultimately to help improve the Company and Group's position. Risk is managed at the Group level and the entities adopt the Risk Management framework. Risk management helps us to strike the optimal balance of how much uncertainty to accept whilst seeking value generation for all our stakeholders by:

a. Aiding alignment of risk appetite and strategy
b. Enhancing risk response decisions
c. Reducing operational surprises and losses
d. Identifying and managing multiple and cross-enterprise risks
e. Helping seize opportunities
f. Improving deployment of capital

There are operational thresholds in place to escalate and drive enhanced oversight of risks in accordance with the risk appetite of each business area.

Our risk management model is aligned to both Committee of Sponsoring Organizations of the Treadway Commission (**COSO**) and ISO31000 guidelines and is integrated into the management of our strategy, objectives, operations, and transformational activities. Additionally, the Executives have established a culture of accountability for risk, embedding risk management into the responsibilities of all employees. Our risk governance model enables aligned risk oversight across operational divisions, delivering an enterprise-level view to senior management with focus on significant and emerging risks facing the business.

The Board is responsible for the Group Risk Management programme and has delegated responsibility to the Audit Committee, which performs the following Risk Management oversight functions:

a. Ensures that management has established an appropriate risk management programme
b. Obtains periodic updates relevant risks included in the Company's risks register
c. Obtains periodic updates from management (at least twice annually) to review the adequacy of mitigation plans to address key risks in the underlying risk register
d. Reports to the Board significant risks that are either not sufficiently mitigated or where mitigation plans have not been executed on a timely basis

Our internal control framework incorporates preventative activities, covering such aspects as policy management, risk management, operation of internal controls over financial reporting, alongside the detective assurance activities of the internal audit function and whistleblowing management.

During the year a digitalised transformation programme delivered a governance, risk and control (**GRC**) platform for the centralisation, recording and management of risks, controls and corresponding tracking of management action plans within the Group. The internal control frameworks, including those covering internal controls over financial reporting, business governance, consumer protection, financial crime prevention, Ofcom metering and billing and other compliance control requirements are now managed through our GRC platform. By digitising our process, we adopt a continuous streamlined improvement model for our internal control frameworks.

We continue to closely monitor developments in relation to new governance reforms and proposals, including the Economic Crime and Corporate Transparency Act, and whilst we await guidance information, Management have commenced activities to review requirements to ensure compliance with the planned regulations. Our control activities enable the Group to meet its business objectives, whilst providing the required level of oversight for Executives, Audit Committee and the Board. The independent assurance activities include assessments of the internal controls over the financial reporting control framework at least annually which is undertaken by the internal audit team. The internal audit plan is reviewed and approved by the Audit Committee annually. In addition, the External Auditors have quarterly meetings with the Audit Committee to provide an update on the review of the processes and procedures.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Principle Five: Remuneration

The Board members are not remunerated by the Group. The Remuneration Committee has the delegated authority to make recommendations to the Board (i) to set and assess the Group's remuneration policy and practices that foster the retention and attraction of highly skilled talent, long-term succession planning, incentivise high performance to drive the achievement of the Group's Vision and long-term Strategy, in a way that represents a positive and entrepreneurial culture through short and long-term decision-making; (ii) approve certain senior level nominations and remuneration packages; and (iii) define policies for certain senior level appointments, and such other employee related matters as the Board may determine from time to time.

To align the success of Executives and the Leadership team with the sustainable success of the Group's business activities, part of the Executives and Leadership Team's remuneration are delivered in the form of short and long-term variable remuneration and based on financial and non-financial performance. The short-term variable remuneration is linked to achieving specific financial, customer satisfaction and sustainability objectives. The long-term variable remuneration is linked to the long-term value creation in the Group by measuring key financial objectives aligned to the latest 3-year strategy.

The remuneration of the workforce is determined by the Executives, ensuring that proposals are balanced, proportionate, and aligned with Group's commitment to build a diverse and inclusive workforce. The Group companies within the scope of the gender pay gap regulations comply with the obligation to publish their gender pay gap report. Insight from gender pay gap reports has informed the Group's diversity and inclusion policies put in place during the year. Details of the Executives Remuneration are disclosed in the notes the Financial Statements on page 120.

Principle Six: Stakeholder Relationship and Engagement

The Board is aware that the Group's stakeholders are important for the successful delivery of the Group's ambition and purpose. Given the complexity of the Group, the Executives have the delegated responsibility of the stakeholders in their respective business divisions and periodically report to the Board and Audit Committee on matters of strategic importance.

The Group's stakeholders' engagements are discussed below with further details in the Section 172(1) Statement on page 71.

Employees

We continue our commitment to listen to and act on feedback from our employees, through our engagement surveys. In May 2023, we achieved an engagement score of 72 and 79% response rate, which provided a good representation of the overall workforce and a strong sense of psychological involvement. The survey results highlighted key strengths and opportunities enabling a sharp focus in influencing positive change in our culture, whilst we operate in a complex and dynamic macro and micro environments. Our people priorities were updated supporting the insights of the survey and a refreshed strategic plan with a focus on culture underpinned by belonging, clarity, recognition and development as crucial drivers of our success. The results of the survey are shared with the Executives and the Chief Human Resources Officer gives regular updates to the CEO on engagement across the business.

We have employee groups with key representatives across the Group whose role is to think holistically about the issues and concerns for employees in their business divisions. Through these groups we can get more regular insights into the sentiment in the business, address any concerns and ensure that follow-up actions are adhered to. Further details of our employee strategy can be found in the "Employees" section on page 34.

Customers

Customer satisfaction is essential to our long-term success and putting our customers first is, and will always be, a foundational strategic priority for our organisation. Our large customer base has broad needs and expectations and as a Group, we remain focused on meeting and exceeding as many of our customers' expectations given the continuing challenges with the economic outlook.

Our customers expect quality products and services at an affordable price, customer care and loyalty. We interact with our customers through customer segmentation on the types of product offerings at different lifecycle stages. We continually analyse and implement measures to improve our customers' experience. Customer insights from the NPS, Social Media community and focus groups enable us identify customers' pain point to make improvements where necessary. Management receives monthly updates on the NPS, which is tracked across the business and provides great insight on the decision making on the types of product and services offering.

Further details of our customer strategy can be found in the "Customers" section on page 32.

Regulators

We actively engage with our regulators to foster a constructive relationship and support our business strategy.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Ofcom
Making things better for our customers is at the heart of everything we do. As a major player in the industry we proactively engage with Ofcom and the wider industry on matters of concern to our customers. During the year we responded to several Ofcom consultations and discussion, some examples are (1) The spectrum management proposals regarding future auction of mmWave spectrum and explored options to enable hybrid sharing between mobile and Wi-Fi in the upper 6 GHz band; (2) The Wholesale Fixed Telecoms Market Review (**WFTMR**), which will decide on regulation of fixed telecoms markets for the five-year period commencing in April 2026. We responded to Ofcom's Consultation on proposals to revise quality of service regulation set as part of 2021 WFTMR. We explained that such regulatory change must not be made mid-review period and that it is more appropriate for Ofcom to consider changes to quality-of-service regulation as part of 2026 WFTMR. Ofcom decided to not go ahead with its proposals.

Financial Conduct Authority (FCA)
The Group has three regulated subsidiaries that are authorised to provide consumer credit and insurance services. The provisions of the new FCA Consumer Duty Regulation have been embedded within the organization. We are committed to continually strengthen our monitoring and governance framework to ensure the delivery of good customer outcomes. Our framework is aligned with the FCA's focus areas for 2023/24 which include:

a. Preparing financial services for the future by implementing the new regulatory framework to address emerging harms more efficiently.
b. Putting consumers' needs first by improving consumer protection and standards for all consumers and ensuring support for struggling consumers remains a priority.
c. Reducing and preventing financial crime by prioritizing this area, which will also help protect consumers to an extent and consumers in vulnerable circumstances specifically, as they may be more susceptible to fraud.

In 2024 we will focus on ensuring adequate oversight at senior management level through monitoring metrics to demonstrate how customers are receiving good outcomes throughout their expected lifecycle with us. Also the framework will be able to identify potential failures which could lead to customer harm and to enable us take reasonable steps where needed, to address any areas of concern.

Suppliers
We operate three expert Steering Committees - Environment; Social Impact; and Diversity, Equity and Inclusion - to oversee delivery of the Virgin Media O2 ESG strategy known as our Better Connections Plan and to monitor progress against its goals and targets. The committees are each sponsored by an Executive member and composed of subject matter experts. Periodic updates are provided to Virgin Media O2's Audit Committee and Executives, ensuring senior oversight of our sustainability endeavours. These forums are also used as an escalation point, as needed, for any supply chain sustainability issues enabling oversight of such issues.

Engagement with strategic suppliers is managed through formal Vendor Management programmes with dedicated relationship leads and formal relationship reviews. It is important that our suppliers align with our code of conduct, which details our standards expected of suppliers with respect to environmental management, ethics and human rights.

The Board continue to have zero tolerance towards modern slavery in the supply chain and receives updates, where necessary, on matters of concern to the suppliers. The Board approves the Group's Modern Slavery Report, which is published annually on the website.

A mix of routine and exceptional management reporting is used to ensure appropriate stakeholder visibility at all relevant tiers of management both within Virgin Media O2 and its shareholder parents.

Supply continuity and service quality has continued to be a priority due to ongoing economic pressures on our supply chains and of the risk of potential impacts from various ongoing geopolitical issues. Examples of supplier engagement can be found in the Section 172(1) Statement on page 71. Further details of our responsible business plan can be found in the "Sustainability Governance" section on page 46.

Communities
Our Better Connections Plan is our Group's sustainability framework which centres on the areas where we believe we can make the greatest positive impact through our products, services and digital know-how, underscoring our ambition to help create an inclusive, connected and decarbonised society. Further details are reported in the "Better Connections Plan framework" section on page 48.

Investors
It is important for us to engage proactively with investors providing effective communication and regular dialogue to ensure that feedback is clearly understood, in order to support understanding of the Group or areas of concern and meet our obligations. Further details are reported in the Section 172(1) statement on page 71.

This Corporate Governance Statement was approved by the board on 1 May 2024 and signed on its behalf by:

E Medina Malo
Company Secretary

Statement of Directors' Responsibilities in Respect of the Annual Report and the Consolidated Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group and parent Company financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and estimates that are reasonable, relevant and reliable;
c. state whether they have been prepared in accordance with international accounting standards in conformity with UK-adopted international accounting standards;
d. assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
e. use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of VMED O2 UK Limited

Opinion
We have audited the financial statements of VMED O2 UK Limited ("the Company") for the year ended 31 December 2023 which comprise Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income (Loss), Consolidated Statement of Financial Position, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, Parent Company Statements of Financial Position, Parent Company Statements of Changes in Equity and the related notes, including the accounting policies in note 2.

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards, including FRS 101 Reduced Disclosure; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:
- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect
Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Considering remuneration incentive schemes and performance targets for management/ directors/ sales staff.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because of the straight-forward recognition of revenue and the low value nature of individual revenue transactions.

We also identified a fraud risk related to the valuation of goodwill, specifically due to the potential for bias surrounding the determination of key estimates within the goodwill impairment assessment.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VMED O2 UK LIMITED CONTINUED

We also performed procedures including:

- Identifying journal entries to test based on high-risk criteria and agreeing the identified entries to supporting documentation. These included unusual revenue, cash and borrowings combinations, property plant & equipment and operating expense combinations, and post-closing entries.
- Evaluating the business purpose of significant unusual transactions, and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and the legal department (as required by auditing standards) and discussed with the directors and the legal department the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, specific regulatory requirements e.g. OFCOM and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the directors' responsibilities statement set out on page 97, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VMED O2 UK LIMITED CONTINUED

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the FRC's website at: https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99sresponsibilities-for

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Seale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, E14 5GL, London, United Kingdom

1 May 2024

Consolidated Financial Statements

Consolidated statements of (loss) or profit

	Note References	Year ended 31 December 2023 in millions	2022 in millions
Revenue	5 and 27	£ 10,912.7	£ 10,360.0
Cost of sales	27	(3,734.5)	(3,425.8)
Gross profit		**7,178.2**	**6,934.2**
Personnel expenses	8 and 23	(697.1)	(690.4)
Other expenses	16, 22 and 27	(5,733.8)	(2,493.0)
Depreciation and amortisation	11	(3,205.2)	(3,553.9)
Operating (loss) profit	6	**(2,457.9)**	**196.9**
Finance costs	24	(2,829.5)	(4,022.3)
Finance income	24	1,399.9	4,260.7
Net finance (costs) income		**(1,429.6)**	**238.4**
Share of results of equity method investments	21	1.6	0.7
Other income (expense), net		13.9	(3.6)
		(1,414.1)	**235.5**
(Loss) profit before income taxes		**(3,872.0)**	**432.4**
Income tax benefit (expense)	25	229.8	(7.2)
Net (loss) profit		**£ (3,642.2)**	**£ 425.2**
Net (loss) profit attributable to:			
Owners		(3,641.8)	425.2
Non-controlling interests	29	(0.4)	—
Net (loss) profit		**£ (3,642.2)**	**£ 425.2**

The accompanying notes on pages 109 to 161 are an integral part of these consolidated financial statements.

All results were derived from continuing operations.

Consolidated statements of comprehensive (loss) income

	Note References	Year ended 31 December 2023 in millions		2022 in millions	
Net (loss) profit		**£**	**(3,642.2)**	**£**	**425.2**
Other comprehensive loss, net of taxes:					
Items that have been or may be reclassified to the statement of profit or loss					
Foreign currency translation adjustments			(15.9)		30.8
Items that will not be reclassified to the statement of profit or loss:					
Pension-related adjustments and other	23		(68.1)		(170.5)
Other comprehensive loss			**(84.0)**		**(139.7)**
Comprehensive (loss) income		**£**	**(3,726.2)**	**£**	**285.5**
Comprehensive (loss) income attributable to:					
Owners			(3,725.8)		285.5
Non-controlling interests	29		(0.4)		—
Comprehensive (loss) income		**£**	**(3,726.2)**	**£**	**285.5**

The accompanying notes on pages 109 to 161 are an integral part of these consolidated financial statements.

All results were derived from continuing operations.

Consolidated statements of financial position

	Note References	31 December 2023 in millions		2022 in millions	
ASSETS					
Non-current assets:					
Intangible assets, net	11	£	25,022.2	£	29,063.2
Property, plant and equipment, net	11 and 16		9,370.0		9,474.3
Investments	21		11.2		9.6
Deferred tax assets	25		318.2		69.4
Derivative instruments	19 and 20		825.3		1,700.3
Retirement benefit asset	23		284.7		360.2
Trade receivables and other non-current assets	12, 24, and 27		399.8		383.7
Total non-current assets			**36,231.4**		**41,060.7**
Current assets:					
Trade receivables and other current assets	12, 24, and 27		2,386.4		2,317.9
Derivative instruments	19 and 20		420.6		362.7
Inventory	14		261.7		178.6
Related-party receivables	27		190.7		4.5
Cash and cash equivalents			875.6		492.0
Total current assets			4,135.0		3,355.7
Total assets		**£**	**40,366.4**	**£**	**44,416.4**

The accompanying notes on pages 109 to 161 are an integral part of these consolidated financial statements.

Consolidated statements of financial position – continued

	Note References	31 December 2023 in millions		31 December 2022 in millions	
LIABILITIES AND OWNERS' EQUITY					
Non-current liabilities:					
Non-current debt and lease obligations	15, 16 and 20	£	18,341.5	£	17,482.3
Retirement benefit obligation	23		3.1		4.3
Non-current portion of provisions	17		139.1		154.5
Derivative instruments	19 and 20		544.0		421.9
Deferred tax liabilities	25		—		1.0
Trade payables and other non-current liabilities	13, 24 and 27		206.8		226.4
Total non-current liabilities			**19,234.5**		**18,290.4**
Current liabilities:					
Trade payables and other current liabilities	13, 24 and 27		3,615.0		3,790.3
Current tax payable	25		1.3		1.8
Derivative instruments	19 and 20		367.6		269.0
Provisions	17		55.2		37.5
Current portion of debt and lease obligations	15, 16 and 20		3,425.5		3,008.9
Total current liabilities			**7,464.6**		**7,107.5**
Total liabilities			**26,699.1**		**25,397.9**
Owners' equity:					
Ordinary shares	28		—		—
Additional paid-in capital (APIC)	28		15,225.0		15,225.0
Other reserves	28		212.5		—
Accumulated (loss) profit	28		(1,732.0)		3,894.3
Accumulated other comprehensive loss	28		(184.8)		(100.8)
Total owners' equity			13,520.7		19,018.5
Non-controlling interests	29		146.6		—
Total combined equity			**13,667.3**		**19,018.5**
Total owners' equity and liabilities		**£**	**40,366.4**	**£**	**44,416.4**

The accompanying notes on pages 109 to 161 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 May 2024 by:

Charles Bracken
Director
Company Registration Number: 12580944

Consolidated statements of changes in equity

	Ordinary shares in millions	APIC (a) in millions	Other reserves in millions	Accumulated profit (loss) in millions	Accumulated other comprehensive loss in millions	Total owners' equity in millions	Non-controlling Interests in millions	Total combined equity in millions
Balance at 1 January 2023	**£ —**	**£15,225.0**	**£ —**	**£ 3,894.3**	**£ (100.8)**	**£19,018.5**	£ —	**£19,018.5**
Net loss	—	—	—	(3,641.8)	—	**(3,641.8)**	(0.4)	**(3,642.2)**
Other comprehensive loss	—	—	—	—	(84.0)	**(84.0)**	—	**(84.0)**
Dividends (note 10)	—	—	—	(2,000.0)	—	**(2,000.0)**	—	**(2,000.0)**
Share-based compensation (note 22)	—	—	—	15.5	—	**15.5**	—	**15.5**
Excess consideration over net book value (NBV) upon sale of joint operation (note 29)	—	—	212.5	—	—	**212.5**	—	**212.5**
Non-controlling interest on acquisition of subsidiary (note 29)	—	—	—	—	—	**—**	147.0	**147.0**
Balance at 31 December 2023	**£ —**	**£15,225.0**	**£ 212.5**	**£ (1,732.0)**	**£ (184.8)**	**£13,520.7**	**£ 146.6**	**£13,667.3**

	Ordinary shares in millions	APIC (a) in millions	Other reserves in millions	Accumulated profit in millions	Accumulated other comprehensive income (loss) in millions	Total owners' equity in millions	Non-controlling Interests in millions	Total combined equity in millions
Balance at 1 January 2022	**£ —**	**£15,225.0**	**£ —**	**£ 5,043.5**	**£ 38.9**	**£20,307.4**	**£ —**	**£20,307.4**
Net profit	—	—	—	425.2	—	425.2	—	425.2
Other comprehensive loss	—	—	—	—	(139.7)	(139.7)	—	(139.7)
Dividends (note 10)	—	—	—	(1,600.0)	—	(1,600.0)	—	(1,600.0)
Share-based compensation (note 22)	—	—	—	25.6	—	25.6	—	25.6
Balance at 31 December 2022	**£ —**	**£15,225.0**	**£ —**	**£ 3,894.3**	**£ (100.8)**	**£19,018.5**	**£ —**	**£19,018.5**

(a) APIC includes share premium and the merger reserve (as described in note 28) resulting from the September 2021 Transactions (as defined in note 3). The total value recognised in APIC represents the value required to be recognised after purchase price accounting as a result of the JV Transaction (as defined in note 1).

The accompanying notes on pages 109 to 161 are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

	Note References	Year ended 31 December 2023 in millions	2022 in millions
Cash flows from operating activities:			
Net (loss) profit		£ (3,642.2)	£ 425.2
Adjustments to reconcile net (loss) profit to net cash provided by operating activities:			
Share-based compensation expense	22	24.9	43.6
Depreciation and amortisation	11	3,205.2	3,553.9
Impairment, restructuring and other operating items, net	11, 17 and 21	3,238.3	61.8
Amortisation of debt premiums, deferred financing costs and non-cash interest	15	(1.9)	(8.6)
Realised and unrealised losses (gains) on derivative instruments, net	19 and 24	804.0	(2,188.2)
Foreign currency transaction (gains) losses, net	24	(589.2)	1,104.6
Gains on debt extinguishment, net	15 and 24	(9.7)	—
Deferred income tax (benefit) expense	25	(229.4)	52.3
Interest paid		(1,196.2)	(826.4)
Income taxes paid		(2.1)	(2.8)
Changes in operating assets		(1,316.3)	(126.2)
Changes in operating liabilities		2,393.7	864.2
Net cash provided by operating activities		**2,679.1**	**2,953.4**
Cash flows from investing activities:			
Capital expenditures, net	11	(1,436.6)	(1,522.2)
Cash received from sale of joint operation	29	359.5	—
Other investing activities, net		(13.9)	67.1
Net cash used by investing activities		**£ (1,091.0)**	**£ (1,455.1)**

The accompanying notes on pages 109 to 161 are an integral part of these consolidated financial statements.

Consolidated statements of cash flows - continued

	Note References	Year ended 31 December 2023 in millions	2022 in millions
Cash flows from financing activities:			
Repayments of third-party debt and lease obligations:			
Principal payments on operating-related vendor financing		£ (1,894.6)	£ (1,632.1)
Debt (excluding vendor financing)		(2,120.2)	(932.9)
Principal payments on capital-related vendor financing		(916.6)	(701.5)
Principal payments on leases		(219.1)	(197.5)
Borrowings of third-party debt	15	3,470.2	1,572.7
Operating-related vendor financing additions		2,509.9	1,765.8
Payment of financing costs and debt premiums	15	(15.3)	(13.6)
Net cash (paid) received related to derivative instruments	19	(9.1)	381.2
Dividends paid		(2,000.0)	(1,600.0)
Other financing activities, net		(0.4)	(0.3)
Net cash provided by financing activities		**(1,195.2)**	**(1,358.2)**
Effect of exchange rate changes on cash and cash equivalents		(7.3)	3.4
Net increase in cash and cash equivalents and restricted cash		**385.6**	**143.5**
Cash and cash equivalents and restricted cash:			
Beginning of period		533.4	389.9
End of period		**£ 919.0**	**£ 533.4**
Details of end of period cash and cash equivalents and restricted cash:			
Cash and cash equivalents		£ 875.6	£ 492.0
Restricted cash included in trade receivables and other current assets and trade receivables and other non-current assets		43.4	41.4
Total cash and cash equivalents and restricted cash		**£ 919.0**	**£ 533.4**

The accompanying notes on pages 109 to 161 are an integral part of these consolidated financial statements.

Notes to consolidated financial statements 31 December 2023

(1) Basis of Presentation

VMED O2 UK Limited is a private company incorporated, domiciled and registered in the United Kingdom (**UK**) The registered number is 12580944 and the registered address is Griffin House, 161 Hammersmith Road, London, W6 8BS.

As described in the Strategic Report, the principal activity of VMED O2 UK Limited is the provision of telecommunication services in the UK.

In these notes, the terms "we," "our," "our Company", "our Group" and "us" may refer, as the context requires, to VMED O2 UK Limited or collectively to VMED O2 UK Limited and its subsidiaries. As of 31 December 2023, the primary subsidiaries of VMED O2 UK Limited include (i) Virgin Media Inc. and its subsidiaries (collectively, **Virgin Media**) and (ii) O2 Holdings Limited and its subsidiaries (collectively, **O2**).

VMED O2 UK Limited is a 50:50 joint venture (the **Joint Venture**) that was formed on 1 June 2021 between Liberty Global Ltd. (formerly Liberty Global plc) (**Liberty Global**) and Telefónica, SA (through Telefonica O2 Holdings Limited) (**Telefónica**) (the **JV Transaction**) (the **Shareholders**). Prior to the completion of the JV Transaction, (i) Virgin Media was a wholly-owned subsidiary of Liberty Global that provided fixed and mobile communications services in the UK and (ii) O2 was a wholly-owned subsidiary of Telefónica that provided mobile communications services in the UK.

The consolidated financial statements of VMED O2 UK Limited for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 1 May 2024 and were signed on the board's behalf by Charles Bracken.

(2) Significant Accounting Policies

A summary of the principal accounting policies is set out below. All accounting policies have been applied consistently, unless noted below:

Basis of Accounting

The principal accounting policies adopted by VMED O2 UK Limited are set out below and have all been applied consistently throughout the current period.

These consolidated financial statements were prepared on a going concern basis and under the historical cost basis in accordance with the Companies Act 2006 and UK-adopted international accounting standards (**UK-adopted IFRS**). The Company has elected to prepare its parent company financial statements in accordance with FRS 101, these are presented on pages 162 to 168.

The consolidated financial statements are presented in sterling and all values are rounded to the nearest million, unless otherwise stated.

Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of the Company, its subsidiaries and its share of jointly controlled entities as of 31 December 2023.

Subsidiaries are all entities over which we have control. We control an entity if we are exposed to variable returns from our involvement with the entity and we have the ability to affect those returns through our power over the respective entity. Such entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

All significant intra-group balances and transactions have been eliminated in preparing the consolidated financial statements. When control over an entity is lost, we derecognise the assets and liabilities of the entity, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

Joint arrangements are defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities required the unanimous consent of the parties sharing control. For additional information regarding our joint arrangements, see the relevant section below under Joint Arrangements.

Going Concern

The financial statements have been prepared on a going concern basis. Management have reviewed business activities, together with factors likely to affect its future development and performance, as well the as VMED O2 UK Limited's principal risks and uncertainties. We have concluded that it is appropriate to adopt the going concern basis having undertaken a rigorous assessment of the financial forecasts, with specific consideration of the trading position of the Group in the context of the current global economic environment, and the industrial relations landscape in relation to the UK business, for the reasons as set out below.

At 31 December 2023, the Group had net current liabilities of £3,329.6 million and net assets of £13,667.3 million. Liquidity available as at the reporting date was £2,324.9 million (excl. CTIL unused borrowing capacity), made up of cash and cash equivalents of £875.6 million and unused borrowing capacity in the VMED O2 Credit Facilities of £1,449.3 million. At 31 December 2023, based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests £1,449.3 million of unused borrowing capacity was available to be borrowed and there were no restrictions on our ability to make loans or distributions from this.

We have considered the Group's key liquidity events and maturity of the Group's debt in the next 12 months, of which the vendor financing obligations (see note 15) are considered to remain appropriate in relation to business-as-usual activities.

Forecasts and projections, which take into account for reasonably possible downsides in trading performance, are prepared for the Group as a whole. Operating free cash flow reduced by 10%, and not considering the uncommitted revolving credit facility still resulted in sufficient funds to continue to meet our liabilities as they fall due for at least 12 months from the date of approval of these financial statements, and consequently we have prepared the financial statements on a going concern basis.

Treasury operations and cash management for all VMED O2's wholly owned subsidiaries are managed on a group basis, including regular cash flow forecasts for both short and long-term commitments.

Taking into account these forecasts and projections, and after making suitable enquiries and obtaining the necessary assurances, we have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future.

Business Combinations under Common Control

Business combinations between entities that are under common control are accounted for at book value. The assets and liabilities acquired or transferred are recognised or derecognised at the carrying amounts previously recognised in the ultimate controlling parent company's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain or loss arising is recognised directly in equity.

On 16 September 2021, as part of certain joint venture reorganisation transactions, VMED O2 UK Limited made a contribution to VMED O2, comprising VMED O2 UK Limited's then ownership interests in (i) Virgin Media (ii) O2 and (iii) VMED O2 UK Financing I plc, in exchange for ordinary shares, issued at a premium.

These transactions have been accounted for as common control transfers, under the pooling interest method and, accordingly been reflected at carry over basis as of 1 June 2021, see note 3.

Foreign Currency Translation and Transactions

Transactions denominated in currencies other than our or our subsidiaries' functional currencies are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in our consolidated statements of financial position related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statements of profit or loss as unrealised (based on the applicable period end exchange rates) or realised upon settlement of the transactions.

Intangible Assets

Our primary intangible assets relate to goodwill, customer relationships, mobile spectrum licences, and software costs.

Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortised, but carried at cost less any accumulated impairment losses. Goodwill is recognised as an asset denominated in the currency of the business acquired and is tested for impairment annually, or more frequently if there are certain events or changes indicating the possibility that the carrying amount may not be fully recoverable. The potential impairment loss is determined by assessing the recoverable amount of the cash generating unit (**CGU**) to which the goodwill is allocated from the acquisition date. During the financial year ended 31 December 2023, we recognised a Goodwill impairment of £3,107.0 million, please see note 11 for further details.

Intangible assets with finite lives are amortised on a straight-line basis over their respective estimated useful lives, and reviewed for indications of impairment at each reporting date. Amortisation methods and useful lives are reviewed at each reporting date and are adjusted if appropriate.

Customer relationships, arising from the Joint Venture formation, have been initially recorded at its fair value and amortised over its estimated useful life of 9 years on a straight line basis, and reviewed for indications of impairment on an ongoing basis as discussed above. During the financial year ended 31 December 2023, there were no indicators of impairment for Customer relationships.

Licence fees paid to the Government, which permit telecommunications activities to be operated for defined periods, are capitalised at costs less impairment losses and are amortised from the date of commercial launch of the services over the initial 20 year term of the licence on a straight line basis.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that are expected to generate economic benefits beyond one year, are recognised as intangible assets. Capitalised internal-use software costs include only external cost of sales of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of between 1 to 10 years. Costs associated with maintaining computer software are recognised as an expense as incurred.

Subsequent expenditures related to intangible assets are capitalised only when the expenditures increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated brands, are expensed as incurred.

Property, Plant and Equipment

Property, plant and equipment are measured at initial cost less accumulated depreciation and any accumulated impairment losses. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. We capitalise costs associated with the construction of new fixed-line and mobile transmission and distribution facilities and the installation of new fixed-line services. Capitalised construction and installation costs include materials, labour and other directly attributable costs. Installation activities that are capitalised include (i) the initial connection (or drop) from our fixed-line system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting and disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of each major component of an item of property, plant and equipment. Assets in the course of construction are carried at cost, less any recognised impairment losses if required. Depreciation of these assets commences when the assets are ready for their intended use. Assets held under leases are amortised on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. The useful lives of fixed-line and mobile networks that are undergoing a rebuild are adjusted such that property, plant and equipment to be retired will be fully depreciated by the time the rebuild is completed. Useful lives used to depreciate our property, plant and equipment are reviewed at each reporting date and are adjusted if appropriate. The useful lives assigned to property, plant and equipment are:

- Land and buildings — 2 to 50 years
- Plant and machinery — 2 to 30 years
- Computer equipment, tools and other items — 3 to 11 years

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will be achieved and when the cost can be measured reliably. All other expenditures for repairs and maintenance are expensed as incurred. Gains and losses due to disposals are included in restructuring and other operating.

Provisions

A provision is recognised when a present legal or constructive obligation as a result of a past event exists, it is probable (more likely than not) that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate reflecting, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced to the parties concerned. For additional information on our restructuring provisions, see note 17.

A provision for asset retirement obligations is recognised related to dismantling and removing items at leased property and restoring the site on which these items are located after termination of the lease agreement.

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, we recognise an impairment loss on the assets associated with the respective contract.

Leases

On the lease commencement date, we recognise (i) right-of-use (**ROU**) assets representing our right to use an underlying asset and (ii) lease liabilities representing our obligation to make lease payments over the lease term. Lease and non-lease components in a contract are generally accounted for separately.

We initially measure lease liabilities at the present value of the remaining lease payments over the lease term. Options to extend or terminate the lease are included only when it is reasonably certain that we will exercise that option. As most of our leases do not provide enough information to determine an implicit interest rate, we generally use a portfolio level incremental borrowing rate in our present value calculation. We initially measure ROU assets at the value of the lease liability, plus any initial cost of sales and prepaid lease payments, less any lease incentives received.

ROU assets are generally depreciated on a straight-line basis over the useful life of the asset. Interest expense on the lease liability is recorded using the effective interest method.

We use the "low value" asset lease recognition exemption for office equipment for all leases less than £5,000 and the short-term lease recognition exemption for all leases with a term of 12 months or less. Therefore, lease payments in such cases are recognised as an expense on a straight-line basis over the lease term.

We determine the lease term as the non-cancellable term of the contract, together with any period covered by an extension (or termination) option whose exercise is discretionary, if there is reasonable certainty that it will be exercised (or it will not be exercised). In our assessment, we consider all available information by asset class in the industry and evaluate all relevant factors (technology, regulation, competition, business model) that create an economic incentive to exercise or not a renewal or cancellation option. In particular, we take into consideration the time horizon of the strategic planning of its operations. After the commencement date, we reassess the lease term if there is a significant event or change in circumstances that is within our control that may affect our ability to exercise (or not to exercise) an option to extend or terminate (for example, a change in business strategy).

In some instances, we act as lessor, notably in respect of agreements with B2B customers for use of various network assets. For arrangements which meet the criteria to be recognised as a finance lease, we derecognise the asset and recognise a receivable at an amount equal to the net investment in the lease, recognising revenue arising from the lease component when control of the network asset is transferred to the customer.

Non-Derivative Financial Instruments
Cash and cash equivalents, current trade and other receivables, current related-party receivables and payables, certain other current assets, accounts payable, certain accrued liabilities and value-added taxes (**VAT**) payable represent financial instruments that are initially recognised at fair value and subsequently carried at amortised cost. Due to their relatively short maturities, the carrying values of these financial instruments approximate their respective fair values.

Loans and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such loans and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

We initially recognise loans and receivables on the date they are originated. All other financial assets (including assets designated as fair value through the statement of profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

We derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

We initially recognise debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

We derecognise a financial liability when its contractual obligations are discharged, cancelled or expired.

For information concerning the fair values of our debt and derivatives, see notes 15 and 19, respectively. For information concerning how we arrive at our fair value measurements, see note 20.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest income or expense. Finance costs which are incurred in connection with the issuance of debt are deferred and set off against the borrowings to which they relate. Deferred finance costs are amortised over the term of the related debt using the effective interest method.

Derivative Instruments
All derivative instruments, whether designated as hedging relationships or not, are recorded in the statements of financial position at fair value. If the derivative instrument is not designated as a hedge, changes in the fair value of the derivative instrument are recognised in earnings. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognised in earnings. If the derivative instrument is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are recorded in other comprehensive income or loss and accumulated in other reserves, and subsequently reclassified into our consolidated statements of profit or loss when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognised in earnings. Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instruments expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. We do not currently apply hedge accounting to our derivative instruments.

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity in our consolidated statements of cash flows.

For information regarding our derivative instruments, see note 19.

Inventories
Inventories comprise mainly handsets and network-associated inventory held for resale and are stated at the lower of cost and net realisable value on a first-in, first-out basis, after provisions for obsolescence. Cost comprises costs of purchase and costs incurred in bringing inventory to its current location and condition.

Trade Receivables
Our trade receivables are initially measured at fair value and subsequently reported at amortised cost, net of an allowance for impairment of trade receivables. The allowance for impairment of trade receivables is estimated based upon our current estimate of lifetime expected credit losses. We use a number of factors in determining the allowance, including, amongst other things, collection trends, prevailing and anticipated economic conditions, and specific customer credit risk. The allowance is maintained until either payment is received or the likelihood of collection is considered to be remote.

For additional information regarding our trade receivable and our allowance for expected credit losses of trade receivables, see note 12.

Concentration of credit risk with respect to trade receivables is limited due to the large number of residential and business customers. We also manage this risk by reducing or disconnecting services to customers whose accounts are delinquent.

Cash and Cash Equivalents and Restricted Cash
Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value.

Restricted cash consists of cash held in restricted accounts, including cash held in escrow related to our NTL pension plan. All other cash that is restricted to a specific use is classified as current or non-current based on the expected timing of the disbursement.

Our significant non-cash investing and financing activities, if any, would be disclosed in our consolidated statements of owner's equity and in notes 11, 15, 16 and 19.

Employee Benefit Plans
We operate both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that sets the amount of pension benefit an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company makes contributions on behalf of employees to their individual pension accounts which are held by a third-party trustee. The ultimate benefit the employee will receive upon retirement is dependent on the contributions made during the employee's service period as well as the performance of the investments in each employee's individual account. After an employee's service period has ended, the Company has no further obligation to contribute to a defined contribution plan. Only our defined contributions schemes remain open to new participants.

For our defined benefit plans, we recognise each pension or post retirement plan's funded status as either an asset or liability in the consolidated statements of financial position. The net pension asset or net pension liability recognised represents the present value of the projected benefit obligation less the fair value of the plan assets at the reporting date. The projected benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the projected benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds. The corporate bonds used for this calculation are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the term of the projected benefit obligation. Expected return on plan assets is determined by applying the return on assets assumptions to the actual fair value of plan assets. Also we measure any unrecognised prior service costs and credits that arise during the period as a component of Accumulated other comprehensive income or loss, net of applicable income tax.

Revenue Recognition
Subscription Revenue — Fixed-line Network. We recognise revenue from the provision of broadband internet, video and fixed-line telephony services over our fixed-line network to customers in the period the related services are provided, with the exception of revenue recognised pursuant to certain contracts that contain promotional discounts, as described below. Installation fees related to services provided over our fixed-line network are generally deferred and recognised as revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

Sale of Multiple Products and Services. We sell broadband internet, video, fixed-line telephony and mobile services to our customers in bundled packages at a lower rate and/or with additional benefits than if the customer purchased each product on a standalone basis. Revenue from bundled packages is allocated proportionally to the individual products or services based on the relative standalone selling price for each respective product or service.

Mobile Revenue. Consideration from mobile contracts is allocated to the airtime service component and the handset component based on the relative standalone selling prices of each component. When we offer handsets and airtime services in separate contracts entered into at the same time, we account for these contracts as a single contract with revenue allocated as described above. Revenue is recognised as each performance obligation is complete – on transfer of the asset for the handset, and over the term of service for airtime.

Revenue from prepaid customers is deferred prior to the commencement of services and recognised as the services are rendered or usage rights expire. Some of our mobile handset contracts that permit the customer to take control of the handset upfront and pay for the handset in instalments over a contractual period may contain a significant financing component. For contracts with terms of one year or more, we recognise any significant financing component as revenue over the contractual period using the effective interest method. We do not record the effect of a significant financing component if the contractual period is less than one year.

Other hardware sales (e.g. smartphones, tablets) follow the same recognition policies as handset sales. Other mobile subscription revenue includes revenue earned for subscription fees (including those earned from our MVNO partners), inbound roaming (earned from foreign mobile operators whose customers roam onto our mobile network), outbound roaming (earned from customers roaming outside their domestic coverage area) and interconnect revenue (earned from other Telecommunication operators whose customers terminate calls on our network). Subscription fees are recognised over the life of the contract. Roaming and Interconnect revenue is recognised over time on usage by the customer.

B2B Revenue. B2B contracts are comprised of multiple elements, bespoke to the customer. In line with our recognition of revenue for consumer services, where multiple products and services are sold in a B2B environment, we allocate revenue proportionally to each performance obligation within the contract based on the relative standalone selling price, recognising revenue as each performance obligation is satisfied. For hardware sales, this is on transfer of the asset, for connectivity services over the contract period as the service is used by the customer.

We defer upfront installation and certain non-recurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortised into revenue on a straight line basis, generally over the longer of the term of the arrangement or the expected period of performance.

From time to time, we also enter into agreements with certain B2B customers pursuant to which they are provided the right to use certain elements of our network. If these agreements are determined to contain a lease that meets the criteria to be considered a finance lease, we recognise revenue from the lease component when control of the network element is transferred to the customer.

Other Revenue. Other revenue, excluding construction revenues discussed separately below, consists of ancillary sales linked to the principal activity of the business discussed above e.g. insurance sales, mobile and accessories, and the SMIP. This revenue is recognised on the provision of both goods and services, with revenue recognition on delivery of each separate performance obligation.

Construction Revenue. We recognise revenue from the provision of construction services with the respective service providers. For construction partner services, revenue for construction partner costs and materials are recognised on a gross basis as the performance obligations are completed – at the point in time when control is transferred to the service provider. For construction management services and metro connectivity projects, revenue is recognised gross over the period in which services are performed.

Contract Costs. Incremental costs to obtain a contract with a customer, such as incremental sales commissions, are generally recognised as assets and amortised over the applicable period benefited, which generally is the contract life. If, however, the amortisation period is less than one year, we expense such costs in the period incurred.

If we transfer goods or services to a customer but do not have an unconditional right to payment, we record a contract asset. Contract assets typically arise from the uniform recognition of introductory promotional discounts over the contract period and accrued revenue for handset sales.

Contract Liabilities. We record contract liabilities when we receive payment prior to transferring goods or services to a customer. We primarily recognise contract liabilities for (i) installation and other upfront services which do not represent a separate performance obligation and (ii) other services that are invoiced prior to when services are provided

Promotional Discounts. For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognised uniformly over the contractual period if the contract has substantive termination penalties. If a contract does not have substantive termination penalties, revenue is recognised only to the extent of the discounted monthly fees charged to the subscriber, if any.

Subscriber Advance Payments. Payments received in advance for the services we provide are deferred and recognised as revenue when the associated services are provided.

Sales and Other VAT. Revenue is recorded net of applicable sales and other VAT.

Contract Life and Timing of Recognition. A large portion of our revenue is derived from customers who are not subject to contracts. Revenue from customers not subject to contracts is recognised on a month-to-month basis as the services are provided. Revenue from customers who are subject to contracts is generally recognised over the term of such contracts, which is typically 12 months for our residential service contracts, one to three years for our mobile service contracts and one to five years for our B2B service contracts.

For additional information regarding our revenue recognition and related costs, see note 12. For a disaggregation of our revenue by major category, see note 5.

Share-based Compensation

We recognise all share-based and long term incentive payments from Liberty Global and Telefónica to our employees, including grants of employee share-based incentive awards, based on their grant-date fair values and our estimates of forfeitures. We recognise share-based compensation expense as a charge to operations over the vesting period based on the grant-date fair value of outstanding awards, which may differ from the fair value of such awards on any given date. Where borne by our Company, payroll taxes incurred in connection with the vesting or exercise of share-based incentive awards are recorded as a component of share-based compensation expense in our consolidated statements of profit or loss. The fair value of share-based payments is calculated at the grant date using an adjusted statistical model. We consider historical trends in our calculation of the expected life of options, where applicable. We use the straight-line method to recognise share-based compensation expense for outstanding share awards to our employees that do not contain a performance condition and the accelerated expense attribution method for our outstanding share awards that contain a performance condition and vest on a graded basis.

For additional information regarding our share-based compensation, see note 22.

Critical Accounting Policies, Estimates and Judgements

In connection with the preparation of the consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. Critical accounting policies are defined as those policies that are reflective of significant judgements, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe the following accounting policies are critical in the preparation of the consolidated financial statements because of the judgement necessary to account for these matters and the significant estimates involved, which are susceptible to change:

- Impairment of property, plant and equipment and intangible assets (including goodwill);
- Costs associated with construction and installation activities;
- Fair value measurements;
- Joint arrangements; and
- Income tax accounting.

(a) Impairment of Property, Plant and Equipment and Intangible Assets (including goodwill)

The aggregate carrying value of our property, plant and equipment and intangible assets that was held for use comprised 85.2% and 86.8% of our total assets at 31 December 2023 and 2022, respectively.

When circumstances warrant, we review the carrying amounts of our property, plant and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include (i) an expectation of a sale or disposal of a non-current asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, non-current assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities. If the carrying amount of the asset or asset group is greater than the recoverable amount, an impairment adjustment is recognised. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its recoverable amount. Assets to be disposed of are recorded at the lower of their carrying amount or fair value less costs to sell. There is not considered to be a significant risk of material adjustment to the carrying amounts of our property, plan and equipment and other tangible assets (other than goodwill) in the year to 31 December 2023.

We evaluate goodwill for impairment at least annually and whenever facts and circumstances indicate that the carrying amount of goodwill may not be recoverable. If the recoverable amount is less than carrying value, any excess would be charged to operations as an impairment loss. The recoverable amount is the higher of fair value less costs of disposal and value in use.

For additional information regarding goodwill impairment, see note 11.

The determination of our CGU is judgemental, and involves an identification of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGU we use to evaluate goodwill for impairment is our sole reportable segment reflecting our mobile, broadband internet, video and fixed-line telephony business delivered across our fixed-line and mobile networks in the UK. In the current year, no critical judgements were applied in assessing our CGUs.

An impairment loss will be recognised when the recoverable amount, being the higher of the CGU's value-in-use and fair value less costs of disposal, of a CGU is less than the carrying amount at the date of testing. When required, considerable management judgement is necessary to estimate the recoverable amount of our sole CGU and underlying non-current and indefinite-lived assets. We typically determine value in use using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates of, amongst other items, subscriber growth and retention rates, rates charged per product, expected gross margin and Adjusted EBITDA (as defined in note 33) margin, tax cash flows and expected property, plant and equipment additions. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. Future cash flows used in the value-in-use calculation are based on five-year financial forecasts in the strategic plan, as approved by senior management and the board. The process of preparing the strategic plan takes into account current market conditions and challenges, the macroeconomic, competitive, regulatory and technological environment, the CGU's competitive position and future growth opportunities.

Our determination of the discount rate is based on a weighted average cost of capital (**WACC**) approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows.

If, amongst other factors, the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other non-current assets. Any such impairment charges could be significant.

(b) Costs Associated with Construction and Installation Activities

We capitalise costs associated with the construction of new fixed-line and mobile network and the installation of new fixed-line services. Installation activities that are capitalised include (i) the initial connection (or drop) from our fixed-line system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as broadband internet, video or fixed-line telephony services. The costs of other customer-facing activities, such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labour and other costs to be capitalised with respect to construction and installation activities involves significant judgement and estimate. In addition to direct external and internal labour and materials, we also capitalise other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs and certain warehouse-related costs. The capitalisation of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalisable activity. We continuously monitor the appropriateness of our capitalisation policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services and changes in the manner that installations or construction activities are performed. There is not considered to be a significant risk of material adjustment to the costs associated with construction and installation activities in the year to 31 December 2023.

(c) Fair Value Measurements

IFRS provides guidance with respect to the recurring and non-recurring fair value measurements and for a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Recurring Valuations. We performed recurring fair value measurements with respect to our derivative instruments and our fair value method investments, which are carried at fair value. We use cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. We use quoted market prices when available and, when not available, we use a combination of an income approach (discounted cash flows) and a market approach (market multiples of similar businesses) to determine the fair value of our fair value method investments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments, see notes 19 and 20.

Changes in the fair values of our derivative instruments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During the years ended 31 December 2023 and 2022, we recognised a net (loss) gain of £(804.0) million and £2,188.2 million, respectively, attributable to changes in the fair values of these items.

As further described in note 20, actual amounts received or paid upon the settlement of our derivative instruments may differ materially from the recorded fair values at 31 December 2023.

Non-recurring Valuations. Our non-recurring valuations are primarily associated with the application of acquisition accounting which require fair value determinations as of the applicable valuation date. Accounting for the Joint Venture formation has also required a non recurring valuation. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of non-current assets, replacement or reproduction costs of property, plant and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, amongst other items, the amount of depreciation and amortisation, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain. All of our non-current assets are subject to impairment assessments. For additional information, see note 20. For information regarding our non-current assets, see note 11. There is not considered to be a significant risk of material adjustment to the fair value measurements in the year to 31 December 2023.

(d) Joint Arrangements

We participate in a number of joint arrangements where control of the arrangement is shared with one or more other parties. Judgement is required to classify joint arrangements in a separate legal entity as either a joint operation or as a joint venture. This judgement will depend on management's assessment of the legal form and substance of the arrangement taking into account relevant facts and circumstances such as whether the owners have rights to substantially all the economic outputs and, in substance, settle the liabilities of the entity.

The classification can have a material impact on our consolidated financial statements. We account for an interest in a joint operation by recognising the assets and liabilities and the related revenue, expenses and share of commitments in proportion to our contribution to and participation in the joint operation.

Our investment and share of results of joint ventures are accounted for under the equity method where the share of results of joint ventures are shown within single line items in the consolidated statements of financial position and the consolidated statements of profit or loss, respectively.

We have determined our interests in CTIL, which is principally engaged in maintaining and managing the non-radio (passive) assets supporting the mobile wireless network of Vodafone Limited (**Vodafone**) and Telefónica UK Limited (a subsidiary of VMED O2), to be classified as a joint operation. In the year to 31 December 2023, our stake in CTIL was reduced (see note 29 for further details). The new minority stakeholder has non-participative rights and we retain the operational and governance control over CTIL. As a result, the assets, liabilities, related revenue, expenses and share of commitments have been recognised in proportion to our contribution to and participation in the joint operation within our consolidated financial statements.

We have determined our interests in Tesco Mobile Limited (**Tesco Mobile**) to be classified as a joint venture. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in our share of net assets of the joint venture since the acquisition date. The statement of comprehensive income (loss) reflects our share of the results of operations of the joint venture.

(e) Income Tax Accounting

We are required to estimate the amount of tax payable or refundable for the current year and the deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilising tax losses and tax credit carryforwards, using enacted or substantially enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact of such items.

Net deferred tax assets are recognised to the extent that the realisation of them is considered probable. Recognising deferred tax assets requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. The actual amount of deferred income tax benefits realised in future periods will likely differ from the net deferred tax assets reflected in our31 December 2023 consolidated statement of financial position due to, amongst other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any such factors could have a material effect on our current and deferred tax positions as reported in our consolidated financial statements. A high degree of judgement is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we have a presence are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognise the financial statement effects of a tax position when it is considered probable that the position will be sustained upon examination. The determination of whether the tax position meets the probable threshold requires a facts-based judgment using all information available. Where we have concluded that the probable threshold is not met, the amount of tax benefit recognised in our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns.

(3) Joint Venture Formation

The Joint Venture was consummated on 1 June 2021, at which point VMED O2 UK Limited controlled 100% of the voting interests in both Virgin Media and O2, combining Virgin Media's fibre-rich broadband network with O2's mobile operations.

We accounted for the Joint Venture in accordance with IFRS 3 — Business Combinations, using the acquisition method of accounting as at 1 June 2021. The identifiable net assets of both Virgin Media and O2 were assessed for their respective fair values in accordance with purchase price allocation accounting and the excess of VMED O2 UK Limited's business enterprise value over the fair value of identifiable net assets was allocated to goodwill. This resulted in net assets, including goodwill, of £20,773.8m being recognised on 1 June 2021.

(4) Recent Pronouncements

New Accounting Standards, Not Yet Effective

At the date of preparation of these consolidated financial statements, the following accounting standards and amendments to existing standards had been published, but their application is not mandatory:

Standards and amendments	Title	Mandatory application: annual periods beginning on or after
Amendments to International Accounting Standard (IAS) 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendment to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and International Financial Reporting Standard (IFRS) 7	Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Asset between an investor and its Associates or Joint Venture	Available for optional adoption / effective date deferred indefinitely.

Based on assessments made to date, we do not expect the adoption of these new pronouncements to have a significant impact on our consolidated financial statements. All standards that became effective on 1 January 2023 have been adopted with no material impact on our consolidated financial statements being:

- Amendment to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendment to IAS 8: Definition of Accounting Estimates
- Amendment to IAS 12: Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction
- Amendment to IAS 12: Deferred Tax - temporary mandatory relief from deferred tax accounting for BEPS Pillar 2
- IFRS 17: Insurance Contracts
- Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9

(5) Segment Reporting

We have one reportable segment that provides mobile, broadband internet, video and fixed-line telephony services in the UK. Our revenue by major category is set forth below:

	Year ended 31 December	
	2023 in millions	2022 in millions
Mobile (a)	5,949.3	5,913.7
Handset	1,521.1	1,614.6
Fixed	3,872.7	3,953.6
Consumer fixed (b)	3,325.2	3,398.7
Subscription (c)	3,266.6	3,329.7
Other (d)	58.6	69.0
B2B fixed (e)	547.5	554.9
Other (f)	1,090.7	492.7
Total	**£ 10,912.7**	**£ 10,360.0**

(a) Mobile revenue includes amounts received from residential and B2B customers for ongoing services and, amongst other items, revenue from sales of mobile handsets and interconnect revenue.

(b) Consumer fixed revenue includes subscription and other revenue for ongoing services and the recognition of deferred installation revenue over the associated contract period.

(c) Consumer fixed subscription revenue includes revenue from subscribers who purchase bundled services at a discounted rate and is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our fixed-line and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period. Additionally, we include revenue from certain small or home office (**SoHo**) subscribers who pay a premium price to receive expanded service levels that are the same or similar to the mass-marketed products offered to our residential subscribers.

(d) Consumer fixed other revenue includes, amongst other items, channel carriage fees, late fees and revenue from the sale of equipment.

(e) B2B fixed revenue includes (i) revenue from business broadband internet, video and fixed-line telephony services offered to medium to large enterprises and, on a wholesale basis, to other operators and (ii) revenue from long-term leases of portions of our network.

(f) Other revenue includes primarily revenue from construction management activities provided to nexfibre, £579.4 million in 2023, amongst other items such as corporate activities provided to nexfibre, the sale of handset insurance policies, the Smart Metering Implementation Programme (SMIP), the provision of information and communication technology services and associated connectivity to O2 business customers and other services.

Remaining Performance Obligations

The total future revenue from the remaining terms of our contracts with customers for performance obligations not yet delivered to those customers was estimated to be £6,942.3 million and £7,272.0 million as at 31 December 2023 and 2022, respectively. Future revenue is expected to be substantially recognised within 3 years.

No information has been provided about remaining performance obligations at 31 December 2023 and 2022 that was part of a contract with an original expected duration of less than one year.

(6) Group Operating Profit

The details of certain charges (credits) included in group operating profit are set forth below:

	Year ended 31 December	
	2023 in millions	2022 in millions
Depreciation of property, plant and equipment (note 11)	£ 1,967.9	£ 2,321.5
o/w Depreciation of ROU assets (note 16)	£ 181.9	£ 201.3
Amortisation of intangible assets (note 11)	£ 1,237.3	£ 1,232.4
Gain on disposal of property, plant and equipment	£ (5.3)	£ (4.3)
Cost of inventories recognised within cost of sales	£ 1,774.1	£ 1,820.4
Net impairment losses on financial and contract assets	£ 243.1	£ 187.1
Goodwill impairment (note 11)	£ 3,107.0	£ —

(7) Auditor's Remuneration

We paid the following amounts to the Group auditor in respect of the audit of the consolidated financial statements and for other services provided to the Group.

Fees paid to the auditor for audit and other services to the Company are not disclosed in the individual accounts as the Group accounts are required to disclose such fees on a consolidated basis. Fees paid to the auditor for services to the Company itself are not disclosed in the company financial statements, as the consolidated financial statements disclose such fees on a consolidated basis.

Fees payable to the Company's auditor and their associates for other services represent fees payable for services in relation to other statutory filings or engagements that are required to be carried out by the Group's auditor.

	Year ended 31 December			
		2023 in millions		2022 in millions
Audit services:				
Audit of the parent Company and consolidated financial statements	£	6.5	£	5.9
Fees payable to the Company's auditor and their associates for other services:				
Statutory audit services — statutory accounts of the Company's subsidiaries		0.5		0.5
Total	**£**	**7.0**	**£**	**6.4**

(8) Staff Costs and Directors' Emoluments

Staff Costs

The total staff costs before capitalisation for the indicated periods are set forth below:

	Year ended 31 December			
		2023 in millions		2022 in millions
Wages and salaries	£	939.6	£	892.1
Social security costs		95.6		94.1
Pension costs — defined contribution plan		75.9		67.1
Share-based payments		24.9		43.6
Total	**£**	**1,136.0**	**£**	**1,096.9**

For further information on compensation of key management personnel, see note 9.

Average Staff Numbers

The average monthly number of employees for the the years ended 31 December 2023 and 2022 is set forth below:

	Year ended 31 December	
	2023	2022
B2B	1,805	2,185
Commercial	8,668	9,275
Corporate/Support	1,216	1,215
Network & Technology	4,019	4,379
Average number of employees	**15,708**	**17,054**

Directors' Emoluments

	Year ended 31 December			
		2023 in thousands		2022 in thousands
Directors' remuneration	£	—	£	—
Amounts paid under vested long-term incentive plans		—		—
Total	**£**	**—**	**£**	**—**
Company contributions under defined contribution pension plans	£	—	£	—
Highest paid Director:				
Remuneration (including awards receivable under vested long-term incentive plans)	£	—	£	—
Company contributions under defined contribution pension plans		—		—
Total	**£**	**—**	**£**	**—**

	31 December	
	2023	2022
Number of directors accruing benefits under pension plans	—	—

The Directors are not paid for their services to VMED O2 UK Limited by any company within the Group. Instead, they are directly remunerated by the Shareholders. VMED O2 UK Limited does not have access to the details of such amounts paid by the shareholders to these directors. The Board has delegated day-to-day management of VMED O2 UK Limited's business activities to the EMT, overseen by the Board and various Board Committees, and the Directors' involvement is minimal.

There were no other transactions with directors during the year.

(9) Key Management Personnel Compensation

Key management personnel comprise the board of directors who are not remunerated for their services to the Group, and key senior management of our Company and our main subsidiaries, including employees of both Liberty Global and Telefonica, which are remunerated through Shareholders. Their compensation for the indicated periods is as follows:

	Year ended 31 December	
	2023 in millions	2022 in millions
Salaries and short-term benefits [(a)]	£ 13.7	£ 12.2
Share-based compensation [(b)]	5.4	7.2
Post-employment benefits	0.1	—
Total	**£ 19.2**	**£ 19.4**

(a) Salaries and short-term benefits include salaries, bonus, directors' fees and certain other cash and non-cash benefits.

(b) Share-based compensation includes charges for awards associated with ordinary shares of Liberty Global and Telefónica. In addition to the amounts in the table above, a payable of £5.2 million (2022: £4.0 million) related to the JV long term incentive plan is due to key management with vesting expected from 2025. See note 22 for further information.

(10) Dividends Paid

	Year ended 31 December	
	2023 in millions	2022 in millions
Dividends paid	£ 2,000.0	£ 1,600.0

The Company paid cash dividends of £325.0 million, £325.0 million, £675.0 million and £675.0 million on 21 March, 9 June, 28 September and 20 December 2023, respectively.

In 2022, the Company paid cash dividends of £250.0 million, £580.0 million and £770.0 million on 30 June 2022, 29 September and 21 December 2022, respectively.

(11) Intangible Assets and Property, Plant and Equipment

Intangible Assets

Changes in the carrying amounts of our goodwill and intangible assets subject to amortisation during the years ended 31 December 2023 and 2022 are as follows:

	Goodwill in millions	Customer relationships in millions	Telecoms licences and other in millions	Computer software in millions	Intangible assets in progress in millions	Total in millions
Cost:						
1 January 2022	**£ 20,857.0**	**£ 7,713.0**	**£ 1,461.7**	**£ 654.6**	**£ 90.4**	**£ 30,776.7**
Additions	—	—	—	—	249.8	249.8
Retirements, disposals and other	—	—	—	(1.9)	—	(1.9)
Assets transferred into service	—	—	—	235.1	(235.1)	—
31 December 2022	**20,857.0**	**7,713.0**	**1,461.7**	**887.8**	**105.1**	**31,024.6**
Additions	—	—	—	—	303.0	303.0
Retirements, disposals and other	—	—	—	(135.6)	—	(135.6)
Assets transferred into service	—	—	—	236.2	(236.2)	—
Impairment	(3,107.0)	—	—	—	—	(3,107.0)
31 December 2023	**£ 17,750.0**	**£ 7,713.0**	**£ 1,461.7**	**£ 988.4**	**£ 171.9**	**£ 28,085.0**
Accumulated amortisation:						
1 January 2022	**£ —**	**£ (499.9)**	**£ (78.3)**	**£ (152.7)**	**£ —**	**£ (730.9)**
Amortisation	—	(857.0)	(92.5)	(282.9)	—	(1,232.4)
Retirements, disposals and other	—	—	—	1.9	—	1.9
31 December 2022	**—**	**(1,356.9)**	**(170.8)**	**(433.7)**	**—**	**(1,961.4)**
Amortisation	—	(857.0)	(92.8)	(287.5)	—	(1,237.3)
Retirements, disposals and other	—	—	—	135.9	—	135.9
31 December 2023	**£ —**	**£ (2,213.9)**	**£ (263.6)**	**£ (585.3)**	**£ —**	**£ (3,062.8)**
Intangible assets, net:						
31 December 2023	**£ 17,750.0**	**£ 5,499.1**	**£ 1,198.1**	**£ 403.1**	**£ 171.9**	**£ 25,022.2**
31 December 2022	**£ 20,857.0**	**£ 6,356.1**	**£ 1,290.9**	**£ 454.1**	**£ 105.1**	**£ 29,063.2**

Goodwill is not amortised, but is instead tested for impairment at least annually for our sole CGU. An impairment loss will be recognised when the recoverable amount of a CGU is less than the carrying amount at the date of testing.

The determination of our CGU is judgmental, and involves an identification of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGU we use to evaluate goodwill for impairment is our sole reportable segment reflecting our mobile, broadband internet, video and fixed-line telephony business delivered across our fixed-line and mobile networks in the UK. Management considered that Virgin Media O2 as a whole is a single CGU as the same underlying asset base provides mobile, broadband internet, video and fixed-line telephony services in the UK. There is significant fixed-mobile convergence and interlinked business units that align with management's ongoing monitoring of the business. For further details, please refer to the Accounting Policies section.

The determination of recoverable amount, being the higher of the CGU's value-in-use and fair value less costs of disposal, is inherently judgmental and requires management to determine certain estimates, including management's expectations of future revenue and net cash flows, discount rates and terminal growth rates.

Future cash flows used in the value-in-use calculation are based on five-year financial forecasts included as a part of the business' ten-year plan. A ten-year time horizon has been used for our full fibre upgrade plan. Given the capital-intensive nature of the plan in the initial years, using a five-year period for the goodwill impairment analysis provides an imbalanced view of the net present value and the longer time horizon more accurately reflects the cash flows in the long run.

The process of preparing the business plan takes into account past experience, current market conditions and challenges, the macroeconomic, competitive, regulatory and technological environment, the CGU's competitive position and future growth opportunities. Management consider EBITDA margin, WACC, terminal growth rate, capital intensity ratio and terminal value tax rate to be key assumptions.

The average EBITDA margin growth assumed in the business plan over the projected period is 4.7%. This is based on past experience, future pricing strategy and consequent customer behaviour, procurement requirements and benchmarking performed against comparable companies in the sector.

Future cash flow forecasts are discounted using the post-tax WACC, determined by the weighted average cost of equity and debt according to our financing structure, and benchmarked against externally available data. The post-tax discount rate used in the value-in-use calculation as of 31 December 2023 and 2022 was 7.5% and 7.3%, respectively. The pre-tax discount rate at 31 December 2023 and 2022 was 8.3%.

The terminal growth rate reflects our long-term growth prospects, the growth and maturity of the industry we operate in, and new technology developments. This is benchmarked against externally available data and analysts' estimates. The terminal growth rate used in the value-in-use calculation as of 31 December 2023 and 2022 was 1.0%.

The capital intensity ratio used in determining the terminal value free cash flow is based on the strategic plan and reflects that planned network upgrades will be stepped down over time towards a normalised level that is based upon our future capital requirements. The capital intensity ratio applied to the cash flow projections as of 31 December 2023 and 2022 was 16.8% and 16.0% respectively.

The effective tax rate used in determining the post-tax free cash flow as of 31 December 2023 and 2022 was 24.1% and 24.3%, respectively. It is based on our current forecast corporation tax rates and the utilisation of available unused tax losses. This is sensitive to future changes in corporation tax rates and forecast of the utilisation of unused losses.

As of 31 December 2023, the carrying value of £35.4 billion exceeds the value in use of £32.3 billion, resulting in a £3.1 billion impairment for the year ended 31 December 2023. As of 31 December 2022 we had £0.3 billion in headroom. This change is largely driven by:

(a) Decline in the projected cash flows resulting from effects of broader macroeconomic environment in the UK;
(b) Increase in WACC against a backdrop of rising interest rates through the year;
(c) Adverse economic and business conditions, political challenges and industry trends;
(d) Inflationary pressures impacting consumer disposable income and spending levels; and
(e) Certain events that are outside of our control, such as the ongoing invasion of Ukraine by Russia and Israeli-Palestinian conflict.

The goodwill calculation in the current year is sensitive to the following reasonably possible variations in key assumptions:

- +/- 100 basis points on terminal value EBITDA margin would impact the valuation by +/- £1.0 billion
- +/- 50 basis points on WACC would impact the valuation by +/- £2.5 billion
- +/- 25 basis points on TGR would impact the valuation by +/- £1.1 billion
- +/- 25 basis points on capital intensity ratio would impact the valuation by +/- £0.3 billion
- +/- 20 basis points on terminal value tax rate would impact the valuation by +/- £0.1 billion

Property, Plant and Equipment, Net

Changes in the carrying amounts of our property, plant and equipment, net, during the years ended 31 December 2023 and 2022 are as follows:

	Plant and machinery in millions	Land and buildings in millions	Computer equipment, tools and other items in millions	Property, plant and equipment in progress in millions	Total in millions
Cost:					
1 January 2022	**£ 8,326.2**	**£ 1,052.5**	**£ 969.3**	**£ 672**	**£ 11,020.0**
Additions	59.0	41.6	—	2,057.6	2,158.2
Retirements, disposals and other	(180.2)	(34.6)	(19.7)	(50.3)	(284.8)
Assets transferred into service	1,319.8	40.5	457.0	(1,817.3)	—
31 December 2022	**9,524.8**	**1,100.0**	**1,406.6**	**862.0**	**12,893.4**
Additions	56.6	60.9	—	1,791.2	1,908.7
Retirements, disposals and other	(405.0)	(40.5)	(28.2)	(9.5)	(483.2)
Assets transferred into service	1,596.5	61.9	400.7	(2,059.1)	—
31 December 2023	**£ 10,772.9**	**£ 1,182.3**	**£ 1,779.1**	**£ 584.6**	**£ 14,318.9**
Accumulated depreciation:					
1 January 2022	**£ (999.3)**	**£ (118.2)**	**£ (144.6)**	**£ —**	**£ (1,262.1)**
Depreciation	(1,834.3)	(188.2)	(299.0)	—	(2,321.5)
Retirements, disposals and other	142.6	3.2	18.7	—	164.5
31 December 2022	**(2,691.0)**	**(303.2)**	**(424.9)**	**—**	**(3,419.1)**
Depreciation	(1,419.6)	(187.2)	(361.1)	—	(1,967.9)
Retirements, disposals and other	394.3	15.9	27.9	—	438.1
31 December 2023	**£ (3,716.3)**	**£ (474.5)**	**£ (758.1)**	**£ —**	**£ (4,948.9)**
Property, plant and equipment, net:					
31 December 2023	**£ 7,056.6**	**£ 707.8**	**£ 1,021.0**	**£ 584.6**	**£ 9,370.0**
31 December 2022	**£ 6,833.8**	**£ 796.8**	**£ 981.7**	**£ 862.0**	**£ 9,474.3**

During the years ended 31 December 2023 and 2022, we recorded non-cash increases to our property, plant and equipment related to vendor financing arrangements of £716.7 million and £759.9 million, respectively, which exclude related value-added tax (VAT) of £132.7 million and £145.6 million, respectively, that were also financed under these arrangements.

(12) Trade Receivables and Other Assets (restated) [a][b]

The details of our restated trade receivables and other non-current and current assets are set forth below:

	31 December			
		2023		2022
		in millions		in millions
Trade receivables and other non-current assets:				
Trade receivables [a]	£	17.6	£	41.9
Contract assets		135.7		182.2
Contract-related costs [b]		14.7		14.7
Net investment in lease [b]		75.5		28.1
Prepayments		23.0		16.7
Restricted cash		43.3		41.4
Other [b]		90.0		58.7
Total	**£**	**399.8**	**£**	**383.7**
Trade receivables and other current assets:				
Trade receivables [a]	£	844.1	£	811.0
Contract assets		586.9		538.0
Contract-related costs [b]		138.8		129.1
Net investment in lease [b]		119.2		132.7
Prepayments		294.1		266.1
Unbilled revenue		140.3		199.3
Othe[r] [b]		263.2		241.7
Total	**£**	**2,386.6**	**£**	**2,317.9**

(a) Certain prior year amounts within the details of our trade receivables and other non-current and current assets have been reclassified to conform to the current year presentation. Specifically £331.0 million and £86.4 million have been reclassified from current and non-current trade receivables to current and non-current contract assets respectively.

(b) Certain prior year amounts previously reported in other non-current and current assets, specifically contract-related costs and net investment in lease,have been reclassified to conform to the current year presentation.

Contract-Related Costs

Contract-related costs refer to incremental costs incurred to obtain customer contracts; principally sales commissions. These are recognised as assets and amortised over the applicable period benefited, generally the contract life. If, however, the amortisation period is less than one year, we expense such costs in the period incurred. We amortised £156.1 million and £102.0 million during the years ended 31 December 2023 and 2022, respectively, to operating costs and expenses related to these assets.

Net Investment in Lease

Net investment in lease refers to a number of lease-out arrangements in respect of agreements with B2B customers for use of various network assets. For further information see note 16.

The detailed ageing of our trade receivables and the related allowance for expected credit losses is set forth below:

	31 December 2023				31 December 2022			
		Trade receivables, gross		Allowance for expected credit losses		Trade receivables, gross		Allowance for expected credit losses
		in millions		in millions		in millions		in millions
Not past due	£	647.0	£	(9.1)	£	697.1	£	(9.0)
1 - 90 days		128.2		(13.3)		126.5		(14.2)
90 - 360 days		98.6		(37.6)		82.0		(31.9)
Over 360 days		84.3		(36.4)		30.3		(27.9)
Total trade receivables	**£**	**958.1**	**£**	**(96.4)**	**£**	**935.9**	**£**	**(83.0)**

The development of our allowance for expected credit losses of trade receivables for the indicated periods is set forth below:

	Year ended 31 December	
	2023 in millions	2022 in millions
Allowance at 1 January	**£ (83.0)**	**£ (58.8)**
Increase in allowance for expected credit losses	(131.4)	(153.2)
Write-off of receivables [(a)]	118.0	129.0
Allowance at 31 December	**£ (96.4)**	**£ (83.0)**

(a) Prior year amounts within the details of our trade receivables and other non-current and current assets have been reclassified to conform to the current year presentation, as detailed above.

When a trade receivable is determined to be uncollectible, it is written off against the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is included within other expenses in our consolidated statements of profit or loss.

The allowance for expected credit losses is based upon our assessment of probable loss related to uncollectible trade receivables. We use a number of factors in determining the allowance, including, amongst other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

(13) Trade Payables and Other Liabilities

Trade payables are non-interest bearing and generally repayable on terms of up to 60 days. The details of our trade payables and other non-current and current liabilities are set forth below:

	31 December	
	2023 in millions	2022 in millions
Trade payables and other non-current liabilities:		
Contract liabilities	£ 116.8	£ 139.6
Other	90.0	86.8
Total	**£ 206.8**	**£ 226.4**
Trade payables and other current liabilities:		
Trade payables	£ 1,454.2	£ 1,356.3
Contract liabilities	522.6	554.5
Other taxes payable	553.4	548.3
Accrued capital expenditures	316.5	423.9
Accrued expenses	339.7	425.8
Other	428.6	481.5
Total	**£ 3,615.0**	**£ 3,790.3**

During the years ended 31 December 2023 and 2022, we recognised revenue of £518.4 million and £545.2 million, that was included in our contract liability balances at 31 December 2023 and 2022, respectively. Contract liabilities were acquired on JV formation on 1 June 2021.

(14) Inventory

As of 31 December 2023 and 2022, our inventory was £261.7 million and £178.6 million, respectively. Our inventory primarily consists of mobile devices of £190.1 million (2022: £162.1 million) and inventory held for resale to nexfibre of £71.2 million (2022: £16.5 million), and is presented net of provisions for obsolescence. There is no material difference between the carrying value of inventories and their replacement cost.

(15) Debt

The pound sterling equivalents of the components of our third-party debt are as follows:

	31 December 2023		Principal amount	
			31 December	
	Weighted average interest rate [(a)]	Unused borrowing capacity [(b)] in millions	2023 in millions	2022 in millions
VMED O2 Credit Facilities [(c)]	8.02 %	£ 1,449.3	£ 8,082.6	£ 6,921.1
VMED O2 Senior Secured Notes	4.49 %	—	7,999.1	8,453.1
VMED O2 Senior Notes	4.53 %	—	1,158.3	1,207.2
Vendor financing [(d)]	6.82 %	—	2,991.2	2,442.7
CTIL Loan [(e)]	7.76 %	99.5	188.0	160.0
Other	1.10 %	—	293.7	199.9
Total third-party debt before deferred financing costs, discounts, premiums and accrued interest [(f)]	**6.19 %**	**£ 1,548.8**	**£ 20,712.9**	**£ 19,384.0**

The following table provides a reconciliation of total third-party debt before deferred financing costs, discounts, premiums and accrued interest to total debt including interest and lease obligations:

	31 December	
	2023 in millions	2022 in millions
Total third-party debt before deferred financing costs, discounts, premiums and accrued interest	**£ 20,712.9**	**£ 19,384.0**
Deferred financing costs, discounts and premiums, net	5.7	40.0
Total carrying amount of third-party debt	**20,718.6**	**19,424.0**
Lease obligations (note 16)	750.8	839.3
Total third-party debt and lease obligations	**21,469.4**	**20,263.3**
Accrued interest	297.6	227.9
Total debt including interest and lease obligations	**£ 21,767.0**	**£ 20,491.2**
Non-current debt and lease obligations	**£ 18,341.5**	**£ 17,482.3**
Current portion of debt and lease obligations	**£ 3,425.5**	**£ 3,008.9**

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(a) Represents the weighted average interest rate in effect at 31 December 2023 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of deferred financing costs, the weighted average interest rate on our aggregate third-party variable and fixed-rate indebtedness was 5.21% at 31 December 2023. For information regarding our derivative instruments, see note 19.

(b) Unused borrowing capacity under the VMED O2 Credit Facilities amounts to £1,449.3 million, comprising (i) £1,432.0 million under the Revolving Facility and (ii) £17.3 million under Term Loan Z. Unused borrowing capacity represents the maximum availability under the VMED O2 Credit Facilities at 31 December 2023 without regard to covenant compliance calculations or other conditions precedent to borrowing. At 31 December 2023, based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests £1,449.3 million of unused borrowing capacity was available to be borrowed and there were no restrictions on our ability to make loans or distributions from this availability to other VMED O2 UK Limited subsidiaries.

Upon completion of the relevant 31 December 2023 compliance reporting requirements, and based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests, we expect £1,449.3 million of unused borrowing capacity will continue to be available, with no restrictions to loan or distribute. Our above expectations do not consider any actual or potential changes to our borrowing levels or any amounts loaned or distributed subsequent to 31 December 2023, or the impact of additional amounts that may be available to borrow, loan or distribute under certain defined baskets within the VMED O2 Credit Facilities.
The CTIL Loan is a revolving loan facility with maximum borrowing capacity equivalent to £575.0 million (as defined and described below). At 31 December 2023, our proportional share of the unused borrowing capacity of the CTIL Loan was £99.5 million.

(c) As of 31 December 2023 and 2022, principal amounts include £37.0 million and £41.0 million, respectively, of borrowings pursuant to excess cash facilities under the VMED O2 Credit Facilities. These borrowings are owed to certain non-consolidated special purpose financing entities that have issued notes to finance the purchase of receivables due from certain of our subsidiaries to certain other third parties for amounts that we and our subsidiaries have vendor financed. To the extent the proceeds from these notes exceed the amount of vendor financed receivables available to be purchased, the excess proceeds are used to fund these excess cash facilities under our senior credit facilities.

(d) Represents amounts owed to various creditors pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property, plant and equipment additions and operating expenses. These arrangements extend our repayment terms beyond a vendor's ordinary due dates (e.g., extension beyond a vendor's customary payment terms) and as such are classified outside of accounts payable as debt in our consolidated statements of financial position. These obligations are generally due within one year and include VAT that was also financed under these arrangements. For purposes of our consolidated statements of cash flows, operating-related expenses financed by an intermediary are treated as constructive operating cash outflows and constructive financing cash inflows when the intermediary settles the liability with the vendor as there is no actual cash outflow until we pay the financing intermediary. During the years ended 31 December 2023 and 2022, the constructive cash outflows included in cash flows from operating activities and the corresponding constructive cash inflows included in cash flows from financing activities related to these operating expenses were £2,509.9 million and £1,765.8 million, respectively. Repayments of vendor financing obligations at the time we pay the financial intermediary are included in repayments of third-party debt and lease obligations in our consolidated statements of cash flows.

(e) Represents our proportional share of the third-party debt of CTIL, a £575.0 million revolving loan facility (the CTIL Loan). The CTIL Loan was issued at par, matures on 6 January 2027 and bears interest at a rate of Sterling Overnight Index Average (SONIA) + 2.0%, subject to a SONIA floor of 0.0%. CTIL periodically draws down and repays the CTIL Loan. We have determined our interest in CTIL, which is principally engaged in maintaining and managing the non-radio (passive) assets supporting the mobile wireless network of Vodafone Limited (Vodafone) and Telefónica UK Limited (a subsidiary of VMED O2), to be classified as a joint operation, and as such, the assets, liabilities (including the CTIL Loan), revenue, expenses and share of commitments have been recognised in proportion to VMED O2's contribution to the joint operation within our condensed consolidated financial statements.

(f) As of 31 December 2023 and 2022, our debt had an estimated fair value of £19.8 billion and £17.5 billion, respectively. The estimated fair values of our debt instruments are generally determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 20.

General Information

Credit Facilities. We have entered into a senior secured credit facility agreement with certain financial and other institutions and senior credit facility agreements with certain non-consolidated special purpose financing entities (as described under VMED O2 Credit Facilities below) (the "credit facilities"). Certain of our credit facilities provide for adjustments to our borrowing rates based on the achievement, or otherwise, of certain sustainability-linked metrics. Our credit facilities contain certain covenants, the more notable of which are as follows:

- Our credit facilities contain certain consolidated net leverage ratios, as specified in the relevant credit facility, which are required to be complied with (i) on an incurrence basis and (ii) in respect of our senior secured credit facilities, when the associated revolving credit facilities have been drawn beyond a specified percentage of the total available revolving credit commitments on a maintenance basis;
- Subject to certain customary and agreed exceptions, our credit facilities contain certain restrictions which, among other things, restrict the ability of certain of our subsidiaries to (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions, (iii) create certain security interests over their assets and (iv) make certain restricted payments to their direct and indirect parent companies through dividends, loans or other distributions;
- Our credit facilities require that certain of our subsidiaries (i) guarantee the payment of all sums payable under the relevant credit facility and (ii) in respect of our senior secured credit facilities, grant first-ranking security over substantially all of their assets to secure the payment of all sums payable thereunder;
- In addition to certain mandatory prepayment events, the instructing group of lenders under our senior secured credit facilities, under certain circumstances, may cancel the lenders' commitments thereunder and declare the loan(s) thereunder due and payable after the applicable notice period following the occurrence of a change of control (as specified in the senior secured credit facilities);
- In addition to certain mandatory prepayment events, the individual lender under each of our senior credit facilities, under certain circumstances, may cancel its commitments thereunder and declare the loan(s) thereunder due and payable at a price of 101% after the applicable notice period following the occurrence of a change of control (as specified in the relevant senior credit facility);
- Our credit facilities contain certain customary events of default, the occurrence of which, subject to certain exceptions, materiality qualifications and cure rights, would allow the instructing group of lenders to (i) cancel the total commitments, (ii) declare that all or part of the loans be payable on demand and (iii) accelerate all outstanding loans and terminate their commitments thereunder;
- Our credit facilities require that we observe certain affirmative and negative undertakings and covenants, which are subject to certain materiality qualifications and other customary and agreed exceptions;
- In addition to customary default provisions, our senior secured credit facilities include cross-default provisions with respect to the other indebtedness of certain of our subsidiaries, subject to agreed minimum thresholds and other customary and agreed exceptions; and
- Our senior credit facilities provide that any failure to pay principal at its stated maturity (after the expiration of any applicable grace period) of, or any acceleration with respect to, other indebtedness of the borrower or certain subsidiaries over agreed minimum thresholds (as specified under the applicable senior credit facility), is an event of default under the respective senior credit facility.

From time to time, we create special purpose financing entities (**SPEs**). These SPEs are created for the primary purpose of facilitating the offering of senior secured notes, which we collectively refer to as "**SPE Notes**".

The SPEs use the proceeds from the issuance of the SPE Notes to fund term loan facilities under the senior secured credit facilities, each a "**Funded Facility**" and collectively, the "**Funded Facilities**." Each SPE is dependent on payments from the relevant borrowing entity under the applicable Funded Facility in order to service its payment obligations under each respective SPE Note. The SPEs are consolidated by VMED O2 UK Limited. As a result, the amounts outstanding under the Funded Facilities of the SPEs are eliminated in the consolidated financial statements of VMED O2 UK Limited.

Pursuant to the respective indentures for the SPE Notes (the **SPE Indentures**) and the respective accession agreements for the Funded Facilities, the call provisions, maturity dates and applicable interest rates for each Funded Facility are the same as those of the related SPE Notes. Each SPE, as lender under the relevant Funded Facility, is treated the same as the other lenders under the senior secured credit facilities, with benefits, rights and protections similar to those afforded to the other lenders. Through the covenants in the applicable SPE Indenture and the applicable security interests over the relevant SPE's rights under the applicable Funded Facility granted to secure the relevant SPE's obligations under the relevant SPE Notes, the holders of the SPE Notes are provided indirectly with the benefits, rights, protections and covenants granted to the SPE as lender under the applicable Funded Facility. The SPEs are prohibited from incurring any additional indebtedness, subject to certain exceptions under the SPE Indentures.

The SPE Notes are non-callable prior to their respective call date (as specified under the applicable SPE Indenture). If, however, at any time prior to the applicable call date, all or a portion of the loans under the related Funded Facility are voluntarily prepaid (a **SPE Early Redemption Event**), then the SPE will be required to redeem an aggregate principal amount of its respective SPE Notes equal to the aggregate principal amount of the loans prepaid under the relevant Funded Facility. In general, the redemption price payable will equal 100% of the principal amount of the applicable SPE Notes to be redeemed and a “make-whole” premium, which is the present value of all remaining scheduled interest payments to the applicable call date using the discount rate as of the redemption date plus a premium (as specified in the applicable SPE Indenture). Upon the occurrence of a SPE Early Redemption Event on or after the applicable call date, the SPE will redeem an aggregate principal amount of its respective SPE Notes equal to the principal amount prepaid under the related Funded Facility at a redemption price (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the applicable SPE Indenture), if any, to the applicable redemption date.

Senior and Senior Secured Notes. Virgin Media Finance plc, VMED O2 UK Financing I plc (**VMED O2 Financing I**) and Virgin Media Secured Finance plc (**Virgin Media Secured Finance**), each a wholly-owned subsidiary of VMED O2 UK Limited, have issued certain senior and senior secured notes, respectively. In general, our senior and senior secured notes (i) are senior obligations of the issuer of such notes that rank equally with all of the existing and future senior debt of such issuer and are senior to all existing and future subordinated debt of such issuer, (ii) contain, in most instances, certain guarantees from certain of our subsidiaries (as specified in the applicable indenture) and (iii) with respect to our senior secured notes, are secured by certain pledges or liens over substantially all of the assets of certain of our subsidiaries. In addition, the indentures governing our senior and senior secured notes contain certain covenants, the more notable of which are as follows:

- Our notes provide that any failure to pay principal at its stated maturity (after the expiration of any applicable grace period) of, or any acceleration with respect to, other indebtedness of the issuer or certain subsidiaries over agreed minimum thresholds (as specified under the applicable indenture), is an event of default under the respective notes;
- Subject to certain materiality qualifications and other customary and agreed exceptions, our notes contain (i) certain customary incurrence-based covenants and (ii) certain restrictions that, amongst other things, restrict our ability to (a) incur or guarantee certain financial indebtedness, (b) make certain disposals and acquisitions, (c) create certain security interests over our assets and (d) make certain restricted payments to our direct and indirect parent companies through dividends, loans or other distributions;
- If certain of our subsidiaries (as specified in the applicable indenture) sell certain assets, the issuer must, subject to certain materiality qualifications and other customary and agreed exceptions, offer to repurchase the applicable notes at par, or if a change of control (as specified in the applicable indenture) occurs, the issuer must offer to repurchase all of the relevant notes at a redemption price of 101%; and
- Our senior secured notes contain certain early redemption provisions including the ability to, during each 12-month period commencing on the issue date for such notes until the applicable call date (**Call Date**), redeem up to 10% of the original principal amount of the notes at a redemption price equal to 103% of the principal amount of the notes to be redeemed plus accrued and unpaid interest.

VMED O2 Notes

The details of the outstanding VMED O2 Notes as of 31 December 2023 are summarised in the following table:

					Outstanding principal amount					
				Original issue amount		Borrowing currency		Pound sterling equivalent		Carrying value (a)
VMED O2 Notes	Maturity	Interest rate		in millions		in millions		in millions		in millions
Senior Notes:										
2030 Dollar Senior Notes	15 July 2030	5.000 %	$	925.0	$	925.0	£	724.8	£	723.9
2030 Euro Senior Notes	15 July 2030	3.750 %	€	500.0	€	500.0		433.5		434.0
Total Senior Notes								**1,158.3**		**1,157.9**
Senior Secured Notes:										
2027 Sterling Senior Secured Notes	15 April 2027	5.000 %	£	457.5	£	457.5		457.5		468.7
2029 4.00% Sterling Senior Secured Notes [b]	31 January 2029	4.000 %	£	600.0	£	600.0		600.0		597.2
2029 Dollar Senior Secured Notes	15 May 2029	5.500 %	$	1,425.0	$	1,425.0		1,116.5		1,172.1
2029 5.25% Sterling Senior Secured Notes	15 May 2029	5.250 %	£	340.0	£	340.0		340.0		354.1
2030 4.25% Sterling Senior Secured Notes	15 January 2030	4.250 %	£	635.0	£	635.0		635.0		635.8
2030 Dollar Senior Secured Notes	15 August 2030	4.500 %	$	915.0	$	915.0		716.9		718.1
2030 4.125% Sterling Senior Secured Notes	15 August 2030	4.125 %	£	480.0	£	480.0		480.0		479.0
2031 Euro Senior Secured Notes [b]	31 January 2031	3.250 %	€	950.0	€	950.0		823.6		829.7
2031 4.25% Dollar Senior Secured Notes [b]	31 January 2031	4.250 %	$	1,350.0	$	1,350.0		1,057.7		1,037.6
2031 4.75% Dollar Senior Secured Notes [b][c]	15 July 2031	4.750 %	$	1,400.0	$	1,400.0		1,096.9		1,094.1
2031 Sterling Senior Secured Notes [b][c]	15 July 2031	4.500 %	£	675.0	£	675.0		675.0		672.1
Total Senior Secured Notes								**7,999.1**		**8,058.5**
Total							**£**	**9,157.4**	**£**	**9,216.4**

(a) Amounts are net of deferred financing costs, discounts, premiums and accrued interest, including amounts recorded in connection with acquisition accounting for the Joint Venture, where applicable.
(b) Respective Senior Secured Notes are SPE Notes that have been issued by VMED O2 Financing I.
(c) Respective Senior Secured Notes are VMED O2 Green Bonds that have been issued by VMED O2 Financing I.

The VMED O2 Notes are non-callable prior to the applicable Call Dates, as presented in the table below. At any time prior to the respective Call Date, the Company may redeem some or all of the applicable notes by paying a 'make-whole' premium, which is the present value of all remaining scheduled interest payments to the applicable Call Date using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points.

VMED O2 Notes	Call Date
2030 Dollar Senior Notes	15 July 2025
2030 Euro Senior Notes	15 July 2025
2027 Sterling Senior Secured Notes	15 April 2022
2029 4.00% Sterling Senior Secured Notes	31 January 2024
2029 Dollar Senior Secured Notes	15 May 2024
2029 5.25% Sterling Senior Secured Notes	15 May 2024
2030 4.25% Sterling Senior Secured Notes	15 October 2024
2030 Dollar Senior Secured Notes	15 August 2025
2030 4.125% Sterling Senior Secured Notes	15 August 2025
2031 Euro Senior Secured Notes	31 January 2026
2031 4.25% Dollar Senior Secured Notes	31 January 2026
2031 4.75% Dollar Senior Secured Notes	15 July 2026
2031 Sterling Senior Secured Notes	15 July 2026

VMED O2 UK Limited may redeem some or all of the VMED O2 Senior Notes and the VMED O2 Senior Secured Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the applicable indenture), if any, to the applicable redemption date, as set forth below:

	Redemption Price					
	2030 Dollar Senior Notes	2030 Euro Senior Notes	2027 Sterling Senior Secured Notes	2029 4.00% Sterling Senior Secured Notes	2029 Dollar Senior Secured Notes	2029 5.25% Sterling Senior Secured Notes
12-month period commencing	15 July	15 July	15 April	31 January	15 May	15 May
2024	N/A	N/A	100.625 %	102.000 %	102.750 %	102.625 %
2025	102.500 %	101.875 %	100.000 %	101.000 %	101.375 %	101.313 %
2026	101.250 %	100.938 %	100.000 %	100.000 %	100.000 %	100.000 %
2027	100.625 %	100.469 %	N/A	100.000 %	100.000 %	100.000 %
2028	100.000 %	100.000 %	N/A	100.000 %	100.000 %	100.000 %
2029 and thereafter	100.000 %	100.000 %	N/A	N/A	N/A	N/A

	Redemption Price						
	2030 4.25% Sterling Senior Secured Notes	2030 Dollar Senior Secured Notes	2030 4.125% Sterling Senior Secured Notes	2031 Euro Senior Secured Notes	2031 4.25% Dollar Senior Secured Notes	2031 4.75% Dollar Senior Secured Notes	2031 Sterling Senior Secured Notes
12-month period commencing	15 October	15 August	15 August	31 January	31 January	15 July	15 July
2024	102.125 %	N/A	N/A	N/A	N/A	N/A	N/A
2025	101.063 %	102.250 %	102.063 %	N/A	N/A	N/A	N/A
2026	100.531 %	101.125 %	101.031 %	101.625 %	102.125 %	102.375 %	102.250 %
2027	100.000 %	100.563 %	100.516 %	100.813 %	101.063 %	101.188 %	101.125 %
2028	100.000 %	100.000 %	100.000 %	100.406 %	100.530 %	100.594 %	100.563 %
2029 and thereafter	100.000 %	100.000 %	100.000 %	100.000 %	100.000 %	100.000 %	100.000 %

VMED O2 Credit Facilities

The VMED O2 Credit Facilities are the senior and senior secured credit facilities of certain subsidiaries of VMED O2 UK Limited. The details of the borrowings under the VMED O2 Credit Facilities as of 31 December 2023 are summarised in the following table:

VMED O2 Credit Facilities	Maturity	Interest rate		Facility amount (in borrowing currency) in millions		Outstanding principal amount in millions		Unused borrowing capacity in millions		Carrying value (a) in millions
Senior Secured Facilities:										
L (b)	15 January 2027	SONIA+3.25%	£	296.1	£	296.1	£	—	£	294.4
M (b)	15 November 2027	SONIA+3.25%	£	258.7		258.7		—		257.0
N (c)	31 January 2028	Term SOFR+2.50%	$	3,300.0		2,585.6		—		2,578.7
O (d)	31 January 2029	EURIBOR+2.50%	€	750.0		650.2		—		648.0
Q (c)	31 January 2029	Term SOFR+3.25%	$	1,300.0		1,018.6		—		1,019.0
R (d)	31 January 2029	EURIBOR+3.25%	€	750.0		650.2		—		651.0
S (g)	31 January 2029	4.00 %	£	600.0		597.2		—		597.2
T (g)	31 January 2031	3.25 %	€	950.0		829.7		—		829.7
U (g)	31 January 2031	4.25 %	$	1,350.0		1,037.6		—		1,037.6
V (g)	15 July 2031	4.50 %	£	675.0		672.1		—		672.1
W (g)	15 July 2031	4.75 %	$	1,400.0		1,094.1		—		1,094.1
X	30 September 2027	SONIA+3.25%	£	1,000.0		1,000.0		—		985.7
Y (c)	31 March 2031	Term SOFR+3.25%	£	1,250.0		979.4		—		965.5
Z (d)	15 October 2031	EURIBOR+3.50%	€	720.0		606.8		17.3		597.4
Revolving Facility (e)	30 September 2026	SONIA+2.75%	£	108.0		—		108.0		—
Revolving Facility (e)	30 September 2029	SONIA+2.75%	£	1,324.0		—		1,324.0		—
Elimination of Facilities S, T, U, V and W in consolidation (g)						(4,230.7)		—		(4,230.7)
Total Senior Secured Facilities						**8,045.6**		**1,449.3**		**7,996.7**
Senior Facilities:										
Financing Facility III (f)	15 July 2028	4.875 %	£	900.0		25.1		—		23.9
Financing Facility IV (f)	15 July 2028	5.000 %	$	500.0		11.9		—		11.9
Total Senior Facilities						**37.0**		**—**		**35.8**
Total					**£**	**8,082.6**	**£**	**1,449.3**	**£**	**8,032.5**

(a) Amounts are net of deferred financing costs and discounts, where applicable.
(b) Facility L and Facility M are each subject to a SONIA and any applicable credit adjustment spread floor of 0.0%.
(c) Facility N, Facility Q and Facility Y are each subject to a Term Secured Overnight Financing Rate (Term SOFR) and any applicable credit adjustment spread floor of 0.0%. For details around the transition from LIBOR to Term SOFR, refer to note 16.
(d) Facility O, Facility R and Facility Z are each subject to a EURIBOR and any applicable credit adjustment spread floor of 0.0%.
(e) The Revolving Facility has a fee on unused commitments of 1.1% per year.
(f) Amounts represent borrowings that are owed to certain non-consolidated special purpose financing entities that have issued notes to finance the purchase of receivables due from certain of our subsidiaries to certain other third parties for amounts that we and our subsidiaries have vendor financed. To the extent the proceeds from these notes exceed the amount of vendor financed receivables available to be purchased, the excess proceeds are used to fund these excess cash facilities under our senior credit facilities.
(g) The amounts outstanding under Facilities S through W are eliminated in our consolidated financial statements.

Financing Transactions

Below we provide summary descriptions of certain financing transactions completed during 2023. In general, a portion of our financing transactions may include non-cash borrowings and repayments. During the years ended 31 December 2023 and 2022, our non-cash borrowings and repayments aggregated nil and £376 million, respectively.

In March 2023, we entered into a $750.0 million sustainability linked term loan facility (Term Loan Y). Term Loan Y matures on 31 March 2031 and bears interest at a rate of Term SOFR plus 3.25% (subject to adjustment based on the achievement or otherwise of certain ESG metrics). The proceeds were used to repay $220.0 million of the outstanding principal amount under Term Loan X. The remaining proceeds were used for general corporate purposes (including the repayment of the existing debt, specifically the Revolving Facility).

In March 2023, we made a further draw down of £325.0 million of Term Loan X, the proceeds of which were used for general corporate purposes.

In June 2023, we made a final draw down of £325.0 million of Term Loan X, the proceeds of which were used for general corporate purposes.

In August 2023, we introduced certain ESG metrics to £1,269.8 million of the Revolving Facility, which may result in an interest rate adjustment based on the achievement or otherwise of such metrics. In addition, we extended the maturity of the same portion of the Revolving Facility to 30 September 2029 (2029 tranche).

In September 2023, we upsized Term Loan Y by $500.0 million on the same terms as Term Loan Y. The proceeds will be used for refinancing activities.

In September 2023, we entered into a €700.0 million sustainability linked term loan facility (Term Loan Z). Term Loan Z matures on 15 October 2031 and bears interest at a rate of EURIBOR plus 3.50% (subject to adjustment based on the achievement or otherwise of certain ESG metrics). The proceeds were used to for refinancing activities.

In September 2023, the maximum borrowing capacity of the CTIL Loan increased from £500.0 million to £575.0 million.

In November, the proceeds of Term Loan Z and the upsizing of Term Loan Y were used to (i) purchase and cancel £217.5 million outstanding principal of our existing 2027 Sterling Senior Secured Notes and (ii) purchase and extinguish £103.9 million and £241.3 million of Facility L and M, respectively, under VMED O2 Credit Facilities.

In December, £280 million of the proceeds from Term Loan Z and the upsizing of Term Loan Y were used to repay Term Loan X. The outstanding principal amount of Term Loan X is £1 billion.

In December, we upsized Term Loan Z by €20.0 million on the same terms as Term Loan Z. The proceeds, once drawn down, will be used for refinancing activities.

In December, we upsized the Revolving Facility by £54.2 million, on the same terms as the existing 2029 tranche.

Maturities of Debt

Maturities of our third-party debt as of 31 December 2023 are presented below:

Year ending 31 December:		
2024	£	2,952.5
2025		31.5
2026		314.5
2027		2,213.9
2028		2,595.4
Thereafter		12,605.1
Total debt maturities (a)(b)		**20,712.9**
Accrued interest		297.6
Deferred financing costs, discounts and premiums, net		5.7
Total debt	**£**	**21,016.2**
Non-current portion	**£**	**17,765.0**
Current portion	**£**	**3,251.2**

(a) Amounts include SPE Notes issued by the SPEs which, as described above, are consolidated by VMED O2 UK Limited.

(b) Amount include vendor financing obligations of £2,991.2 million, as set forth below (in millions):

Year ending 31 December:		
2024	£	2,921.8
2025		31.5
2026		20.8
2027		13.6
2028		3.5
Total vendor financing maturities (1)	**£**	**2,991.2**
Non-current portion	**£**	**69.4**
Current portion	**£**	**2,921.8**

(1) Virgin Media Vendor Financing Notes III Designated Activity Company and Virgin Media Vendor Financing Notes IV Designated Activity Company (together, the **2020 VM Financing Companies**) have issued an aggregate £1,291.8 million equivalent of notes maturing in July 2028. The net proceeds from these notes are used by the 2020 VM Financing Companies to purchase from various third parties certain vendor financed receivables owed by certain of our subsidiaries. To the extent the proceeds from these notes exceed the amount of vendor financed receivables available to be purchased, the excess proceeds are used to fund excess cash facilities under our senior credit facilities. The 2020 VM Financing Companies can request the excess cash facilities be repaid by certain of our subsidiaries as additional vendor financed receivables become available for purchase.

Vendor Financing Obligations

A reconciliation of the beginning and ending balances of our vendor financing obligations for the indicated periods is set forth below:

	31 December			
		2023 in millions		**2022 in millions**
Balance at 1 January	£	2,442.7	£	2,104.7
Operating-related vendor financing additions		2,509.9		1,765.8
Capital-related vendor financing additions		716.7		759.9
Principal payments on operating-related vendor financing		(1,894.6)		(1,632.1)
Principal payments on capital-related vendor financing		(916.6)		(701.5)
Foreign currency and other		133.1		145.9
Balance at 31 December	**£**	**2,991.2**	**£**	**2,442.7**

(16) Leases

General

We enter into leases for network equipment, real estate and vehicles. We provide residual value guarantees on certain of our vehicle leases.

ROU Assets

A summary of the changes in our ROU assets for the years ended 31 December 2023 and 2022 is set forth below:

	Land and buildings in millions	Plant and machinery in millions	Total in millions
Cost:			
1 January 2022	£ 829.5	£ 175.4	£ 1,004.9
Additions	41.6	59.0	100.6
Retirements and disposals	(13.3)	(24.1)	(37.4)
31 December 2022	857.8	210.3	1,068.1
Additions	60.9	56.6	117.5
Retirements and disposals	(26.6)	(26.4)	(53.0)
31 December 2023	**£ 892.1**	**£ 240.5**	**£ 1,132.6**
Accumulated depreciation:			
1 January 2022	£ (83.7)	£ (32.4)	£ (116.1)
Depreciation	(142.9)	(58.4)	(201.3)
Retirements and disposals	6.3	7.4	13.7
31 December 2022	(220.3)	(83.4)	(303.7)
Depreciation	(125.8)	(56.1)	(181.9)
Retirements and disposals	16.3	13.8	30.1
31 December 2023	**£ (329.8)**	**£ (125.7)**	**£ (455.5)**
ROU assets, net:			
31 December 2023	**£ 562.3**	**£ 114.8**	**£ 677.1**
31 December 2022	£ 637.5	£ 126.9	£ 764.4

Our ROU assets are included in property, plant and equipment, net, in our consolidated statements of financial position. At 31 December 2023 and 2022, the weighted average remaining lease term of our ROU assets was 9.6 years and 8.5 years respectively. The weighted average discount rate for 31 December 2023 and 31 December 2022 was 5.2% and 5.0% respectively. During the year ended 31 December 2023 and 2022, we recorded non-cash additions to our ROU assets associated with leases of £117.5 million and £100.6 million, respectively.

Lease Liabilities

Maturities of our lease liabilities are presented below:

	31 December 2023 in millions	31 December 2022 in millions
Not later than one year	£ 209.4	£ 230.5
Later than one year and not later than five years	451.5	489.5
Later than five years	352.6	390.1
Total payments	**1,013.5**	**1,110.1**
Less: present value discount	(262.7)	(270.8)
Present value of lease payments	**£ 750.8**	**£ 839.3**
Non-current portion (a)	**£ 576.5**	**£ 642.8**
Current portion (a)	**£ 174.3**	**£ 196.5**

(a) The non-current and current portions of our lease liabilities are included within non-current debt and lease obligations and current portion of debt and lease obligations, respectively, in our consolidated statements of financial position.

Lease Expense

A summary of our aggregate lease expense is set forth below:

	Year ended 31 December	
	2023 in millions	2022 in millions
Depreciation:		
Land and buildings	125.8	142.9
Plant and machinery	56.1	58.4
Total depreciation	**181.9**	**201.3**
Interest expense	44.7	37.1
Total lease expense	**£ 226.6**	**£ 238.4**

Expenses relating to leases of low-value assets and short-term leases for which no ROU asset or lease liability has been recognised were not material.

Cash Flows from Leases

Our total cash outflows from leases recorded during the year ended 31 December 2023 and 2022 were £229.2 million and £206.8 million, respectively.

Future Lease Commitments

During the year, we entered into a lease agreement for a new corporate headquarters in Paddington Central. The lease commences in 2024 with an initial term of 10 years.

Leases as a Lessor

We have entered into a number of lease-out arrangements in respect of agreements with B2B customers for use of various network assets. For these arrangements, we have derecognised the asset, recognising revenue arising from the lease component when control of the network asset is transferred to the customer. During the years ended 31 December 2023 and 2022, we recognised net gains of £75.5 million and £72.2 million, respectively, and interest income of £1.4 million and £1.2 million, respectively, related to these arrangements.

The non-current and current portions of our lease receivables are included within trade receivables and other non-current assets and trade receivables and other current assets, respectively, in our consolidated statements of financial position. Maturities of our lease receivables are presented below:

	31 December	
	2023 in millions	2022 in millions
Not later than one year	£ 124.8	£ 136.0
Later than one year and not later than five years	80.7	28.0
Total undiscounted lease receivables	**205.5**	**164.0**
Less: unearned finance income	(10.8)	(3.2)
Net investment in leases	**£ 194.7**	**£ 160.8**

(17) Provisions

A summary of the changes in our provisions during the indicated periods is set forth below:

	Restructuring [(a)] in millions	Asset retirement obligations [(b)] in millions	Other in millions	Total in millions
Balance at 1 January 2022	**£ 22.3**	**£ 175.3**	**£ 4.9**	**£ 202.5**
Disposals of property, plant and equipment and other	—	(29.1)	—	(29.1)
Net charges (credits) included in other expenses in the consolidated statements of profit or loss	49.3	(1.0)	0.4	48.7
Cash payments	(28.2)	(0.8)	—	(29.0)
Reclassifications	(2.4)	1.3	—	(1.1)
Balance at 31 December 2022	**41.0**	**145.7**	**5.3**	**192.0**
Disposals of property, plant and equipment and other	—	(9.1)	—	(9.1)
Additions to property, plant and equipment	—	7.6	—	7.6
Net charges (credits) included in other expenses in the consolidated statements of profit or loss	100.4	(1.1)	(0.5)	98.8
Cash payments	(93.2)	(1.6)	—	(94.8)
Reclassifications	(0.2)	—	—	(0.2)
Balance at 31 December 2023	**£ 48.0**	**£ 141.5**	**£ 4.8**	**£ 194.3**

(a) Restructuring provisions include the full cost of planned business restructuring programmes entered into during the year, most of which are expected to be completed within the next 12 months.

(b) VMED O2 UK Limited has certain legal obligations, principally relating to the restoration of leased property to its original condition at the end of the lease term. The provision is based on assumptions covering the discount rate, expected lease renewals and the expected cost of restoring the sites. The payment dates of these asset retirement costs are uncertain, but are currently as of 31 December 2023 and 31 December 2022, anticipated to be over the next 26 years and 27 years, respectively. The provision recognised represents the best estimate of the expenditure required to settle the present obligation at 31 December 2023. Such cost estimations, expressed at current price levels at the date of the estimate are discounted at 31 December 2023 and 31 December 2022 using rates in the range of 3.8% to 4.1% and 1.9% to 4.0%, respectively, per annum. The initial discounted cost amount has been capitalised as part of property, plant and equipment and depreciated over the life of the assets.

(18) Financial Risk Management

Overview

We have exposure to the following risks that arise from our financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

Our exposure to each of these risks, the policies and procedures that we use to manage these risks and our approach to capital management are discussed below.

Credit Risk

Credit risk is the risk that we would experience financial loss if our customers or the counterparties to our financial instruments and cash investments were to default on their obligations to us.

We manage the credit risks associated with our trade receivables by performing credit verifications, following established dunning procedures and engaging collection agencies. We also manage this risk by disconnecting services to customers whose accounts are delinquent. Concentration of credit risk with respect to trade receivables is limited due to the large number of customers. For information regarding the ageing of our trade receivables, see note 12.

We are exposed to the risk that the counterparties to our derivative instruments, cash holdings and undrawn debt facilities will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments and undrawn debt facilities is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under the derivative instruments. Most of our cash currently is invested in either (i) AAA credit rated money market funds, including funds that invest in government obligations, or (ii) overnight deposits with banks having a minimum credit rating of A by Standard & Poor's or an equivalent rating by Moody's Investor Service. To date, neither the access to nor the value of our cash and cash equivalent balances have been adversely impacted by liquidity problems of financial institutions.

At 31 December 2023, our exposure to counterparty credit risk included (i) derivative assets with an aggregate fair value of £567.9 million, (ii) aggregate undrawn debt facilities of £1,548.8 million and (iii) cash and cash equivalents and restricted cash of £919.0 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in the event of an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations, financial condition and or liquidity.

Although we actively monitor the creditworthiness of our key vendors, the financial failure of a key vendor could disrupt our operations and have an adverse impact on our revenue and cash flows.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting our financial obligations. In addition to cash and cash equivalents, our primary sources of liquidity are cash provided by operations and access to the available borrowing capacity of our various debt facilities. For information regarding our borrowing availability, see note 15.

The ongoing cash needs of VMED O2 UK Limited include corporate general and administrative expenses and fees associated with the JV Service Agreements (as defined in note 30). From time to time, we may also require cash in connection with (i) the repayment of outstanding debt and related-party obligations (including the repurchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions), (ii) the funding of dividends or distributions pursuant to the Shareholders Agreement, (iii) the satisfaction of contingent liabilities or (iv) acquisitions and other investment opportunities.

Our most significant financial obligations relate to our debt obligations, as described in note 15. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Our sources of liquidity at the parent level include (i) our cash and cash equivalents and (ii) subject to the restrictions noted above, proceeds in the form of distributions or loans from our subsidiaries. For information regarding limitations imposed by our subsidiaries' debt instruments, see note 15. It is the intention of the Shareholders that the Joint Venture, and by extension VMED O2 UK Limited, will be a self-funding company capable of financing its activities on a stand-alone basis without recourse to either Shareholder.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our current sources of liquidity will be sufficient to fund our currently anticipated working capital needs, capital expenditures and other liquidity requirements during the next 12 months, although no assurance can be given that this will be the case. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. Our ability to access debt financing on favourable terms, or at all, could be adversely impacted by (i) the financial failure of any of our counterparties which could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavourable impact on our cash flows and liquidity.

We use budgeting and cash flow forecasting tools to ensure that we will have sufficient resources to timely meet our liquidity requirements. We also maintain a liquidity reserve to provide for unanticipated cash outflows.

The following table shows the timing of expected cash payments or receipts based on the contractually agreed upon terms for our financial liabilities as of 31 December 2023:

	Payments (receipts) due during:						
	2024	**2025**	**2026**	**2027**	**2028**	**Thereafter**	**Total**
	in millions	**in millions**	**in millions**	**in millions**	**in millions**	**in millions**	**in millions**
Debt:							
Principal	£ 2,952.5	£ 31.5	£ 314.5	£ 2,213.9	£ 2,595.4	£ 12,605.1	£ 20,712.9
Interest [(a)]	1,309.6	1,008.5	975.2	921.8	721.4	1,022.9	5,959.4
Leases [(a)]	209.4	130.8	121.3	105.9	93.5	352.6	1,013.5
payments (receipts), net [(b)]	66.9	90.6	91.8	124.9	(94.9)	(88.6)	190.7
Total	**£ 4,538.4**	**£ 1,261.4**	**£ 1,502.8**	**£ 3,366.5**	**£ 3,315.4**	**£ 13,892.0**	**£27,876.5**

(a) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of 31 December 2023. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. Amounts presented for leases include both principal and interest.

(b) The pound sterling equivalents of our net projected cash flows associated with our derivative instruments are based on interest rate projections and exchange rates as of 31 December 2023. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts required in future periods. For additional information regarding our derivative instruments, see note 19.

Market Risk

Interest Rate Risk

We are exposed to changes in interest rates primarily as a result of our borrowing activities, which include fixed-rate and variable-rate borrowings by our subsidiaries. Our primary exposure to variable-rate debt is through our SONIA-indexed, Term SOFR-indexed and EURIBOR-indexed VMED O2 Credit Facilities.

In general, we enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt. Accordingly, we have entered into various derivative transactions to manage exposure to increases in interest rates. We use interest rate derivative contracts to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional principal amount. We also use interest rate cap agreements and swaptions to lock in a maximum interest rate if variable rates rise, but also allow our Company to benefit from declines in market rates. Under our current guidelines, we use various interest rate derivative instruments to mitigate interest rate risk, generally for the full term of the underlying variable-rate debt. In this regard, we use judgement to determine the appropriate composition and maturity dates of our portfolios of interest rate derivative instruments, taking into account the relative costs and benefits of different maturity profiles in light of current and expected future market conditions, liquidity issues and other factors. For additional information concerning the impacts of these interest rate derivative instruments, see note note 19.

There have been significant changes in the benchmark interest rates used to set floating rates on our debt and derivative instruments. ICE Benchmark Administration (the entity that administers LIBOR) ceased to publish GBP LIBOR rates after 31 December 2021, and it ceased to publish USD LIBOR after 30 June, 2023. EURIBOR has been reformed and has been granted regulatory approval to continue to be used.

On 6 March 2023, the European Money Markets Institute (**EMMI**) announced proposed enhancements to EURIBOR's hybrid methodology that will be phased in over six months starting mid-May 2024. Currently, the contribution made by the panel banks follows a three-level waterfall approach including transactions from the observation period, derived or historical transactions or "expert judgement" grounded on transactions from nearby markets. The new methodology will end the use of "expert judgement" to determine the EURIBOR rate and certain historical transactions will be linked to the Euro Short-Term Rate (**€STR**), bringing the risk profile of EURIBOR closer to that of €STR. While the changes are expected to reduce the risk exposure for panel banks, there is uncertainty regarding the impact on rates and money market spreads from a possible increased fixing volatility.

We have agreed amendments in respect of all of our debt and derivative instruments to replace the ceased rates. For USD, these reference Term SOFR administered by CME Group Benchmark Administration Limited. For GBP, these reference the SONIA.

Weighted Average Variable Interest Rate

At 31 December 2023, the outstanding principal amount of our variable-rate indebtedness aggregated £7.3 billion and the weighted average interest rate (including margin) on such variable-rate indebtedness was approximately 7.6%, excluding the effects of interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Assuming no change in the amount outstanding, and without giving effect to any interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, a hypothetical 50 basis point (0.50%) increase (decrease) in our weighted average variable interest rate would increase (decrease) our annual consolidated interest expense and cash outflows by £36.5 million. As discussed above and in note 19, we use interest rate derivative contracts to manage our exposure to increases in variable interest rates. In this regard, increases in the fair value of these contracts generally would be expected to offset most of the economic impact of increases in the variable interest rates applicable to our indebtedness to the extent and during the period that principal amounts are matched with interest rate derivative contracts.

In addition to the above, we are also exposed to modest, predetermined interest rate adjustments as a result of the achievement or non-achievement of ESG linked metrics contained within certain sustainability linked VMED O2 Credit Facilities. These ESG metrics are primarily related to the reduction of Scope 1 and Scope 2 emissions in line with our pathway to net zero across our operations, products and supply chain by 2040.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk with respect to our consolidated debt in situations where our debt is denominated in US dollars and euros. Although we generally match the denomination of our and our subsidiaries' borrowings with our functional currency, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in our functional currency (unmatched debt). In these cases, our policy is to provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At 31 December 2023, substantially all of our debt was either directly or synthetically matched to our functional currency. For additional information concerning the terms of our derivative instruments, see note 19.

Currently, the UK is facing various macro-economic pressures, including financial and political challenges, that have impacted the broader UK economy, valuation of the local currency, interest rates and inflationary pressures. In addition to the exposure that results from the mismatch of our borrowings and our functional currency, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our functional currency (non-functional currency risk), such as equipment purchases, programming contracts, notes payable and notes receivable (including intercompany amounts) and certain services provided by our Shareholders. Changes in exchange rates with respect to amounts recorded in our consolidated statements of financial position related to these items will result in unrealised (based upon period-end exchange rates) or realised foreign currency transaction gains and losses upon settlement of the transactions. Moreover, to the extent that our revenue, costs and expenses are denominated in currencies other than our functional currency, we will experience fluctuations in our revenue, costs and expenses solely as a result of changes in foreign currency exchange rates. Generally, we will consider hedging non-functional currency risks when the risks arise from agreements with third parties that involve the future payment or receipt of cash or other monetary items to the extent that we can reasonably predict the timing and amount of such payments or receipts and the payments or receipts are not otherwise hedged. In this regard, we have entered into foreign currency forward and option contracts to hedge certain of these risks. For additional information concerning our foreign currency forward and option contracts, see note 19.

Capital Management

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase the Adjusted EBITDA and to achieve adequate returns on our property, plant and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based leverage covenants contained in our various debt instruments. For additional information regarding our debt obligations, see note 15.

(19) Derivative Instruments

In general, we enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements, particularly with respect to borrowings that are denominated in a currency other than the functional currency of the borrowing entity. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the US dollar (**$**) and the euro (**€**). We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of most of our derivative instruments are recorded in finance income or costs in our consolidated statements of profit or loss.

The following table provides details of the fair values of our derivative instrument assets and liabilities:

	31 December 2023			31 December 2022		
	Non-current in millions	**Current in millions**	**Total in millions**	**Non-current in millions**	**Current in millions**	**Total in millions**
Assets:						
Cross-currency derivative contracts (a)	£ 337.3	£ 166.8	£ 504.1	£ 872.8	£ 180.7	£ 1,053.5
Interest rate derivative contracts (a)	488.0	253.3	741.3	827.5	177.5	1,005.0
Foreign currency forward and option contracts	—	0.5	0.5	—	4.5	4.5
Total	**£ 825.3**	**£ 420.6**	**£ 1,245.9**	**£ 1,700.3**	**£ 362.7**	**£ 2,063.0**
Liabilities:						
Cross-currency derivative contracts (a)	£ 339.7	£ 57.9	£ 397.6	£ 82.9	£ 80.0	£ 162.9
Interest rate derivative contracts (a)	204.3	309.3	513.6	339.0	187.9	526.9
Foreign currency forward and option contracts	—	0.4	0.4	—	1.1	1.1
Total	**£ 544.0**	**£ 367.6**	**£ 911.6**	**£ 421.9**	**£ 269.0**	**£ 690.9**

(a) We consider credit risk relating to our and our counterparties' non-performance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of £44.7 million and £112.9 million during the years ended 31 December 2023 and 2022, respectively. These amounts are included in finance costs in our consolidated statements of profit or loss. For additional information regarding our fair value measurements, see note 20.

The details of our realised and unrealised (losses) gains on derivative instruments, net, are set forth below:

	Year ended 31 December	
	2023 in millions	**2022 in millions**
Cross-currency derivative contracts	£ (695.6)	£ 1,563.4
Interest rate derivative contracts	(100.4)	626.8
Foreign currency forward and option contracts	(8.0)	(2.0)
Total	**£ (804.0)**	**£ 2,188.2**

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. The following table sets forth the classification of the net cash inflows of our derivative instruments:

	Year ended 31 December	
	2023 in millions	**2022 in millions**
Operating activities	£ 242.9	£ 3.4
Financing activities	(9.1)	381.2
Total	**£ 233.8**	**£ 384.6**

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions, however notwithstanding, given the size of our derivative portfolio, the default of certain counterparties could have a significant impact on our consolidated statements of profit or loss. Collateral is generally not posted by either party under the terms of our derivative instruments. At 31 December 2023 and 2022, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of £0.6 billion and £1.5 billion respectively.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in the event of an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

Details of our Derivative Instruments

Cross-currency Derivative Contracts

We generally match the denomination of our borrowings with the functional currency of the supporting operations or, when it is more cost effective, we provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At 31 December 2023, substantially all of our debt was either directly or synthetically matched to the functional currency of the borrowing entity. The following table sets forth the total notional amounts and the related weighted average remaining contractual lives of our cross-currency swap contracts:

31 December 2023					31 December 2022				
Notional amount due from counterparty		Notional amount due to counterparty		Weighted average remaining life	Notional amount due from counterparty		Notional amount due to counterparty		Weighted average remaining life
	in millions		in millions	in years		in millions		in millions	in years
$	15,472.9	£	12,239.6 (a)	3.9	$	14,624.0	£	11,500.4 (a)	4.4
€	3,800.0	£	3,403.7	5.5	€	3,100.0	£	2,795.5	6.0
£	1,005.5	$	1,445.0 (b)	1.1	£	1,005.5	$	1,445.0 (b)	2.1
$	500.0	£	394.2	1.5	$	500.0	£	394.2	2.5
$	166.6	€	150.0	4.5	$	166.6	€	150.0	5.5

(a) Includes certain derivative instruments that are “forward-starting,” such that the initial exchange occurs at a date subsequent to the year end date. These instruments are typically entered into in order to extend existing hedges without the need to amend existing contracts.

(b) These derivative instruments do not involve the exchange of notional amounts at the inception and maturity of the instruments. Accordingly, the only cash flows associated with these derivative instruments are coupon-related payments and receipts.

Interest Rate Swap Contracts

The following table sets forth the total pound sterling equivalents of the notional amounts and the related weighted average remaining contractual lives of our interest rate swap contracts:

	Pay fixed rate [(a)]		Receive fixed rate	
	Notional amount in millions	Weighted average remaining life in years	Notional amount in millions	Weighted average remaining life in years
31 December 2023	£ 10,883.8	3.2	£ 4,510.2	1.3
31 December 2022	£ 12,764.3	3.0	£ 3,530.8	2.5

(a) Includes forward-starting derivative instruments.

Interest Rate Swap Options

From time to time, we enter into interest rate swap options (swaptions), which give us the right, but not the obligation, to enter into certain interest rate swap contracts at set dates in the future. Such contracts typically have a life of no more than three years. At the transaction date, the strike rate of each of these contracts was above the corresponding market rate. As of 31 December 2023, the option expiration period on each of our swaptions had expired.

Basis Swaps

Our basis swaps involve the exchange of attributes used to calculate our floating interest rates, including (i) the benchmark rate, (ii) the underlying currency and (iii) the borrowing period. We typically enter into these swaps to optimise our interest rate profile based on our current evaluations of yield curves, our risk management policies and other factors. At 31 December 2023 and 2022, the total pound sterling equivalent of the notional amounts due from the counterparty was £5.5 billion and £5.1 billion, respectively. The related weighted average remaining contractual life of our basis swap contracts in 31 December 2023 and 2022 was 0.3 years and 0.2 years, respectively.

Interest Rate Caps and Floors

From time to time, we enter into interest rate cap and floor agreements. Purchased interest rate caps lock in a maximum interest rate if variable rates rise, but also allow our Company to benefit from declines in market rates. Purchased interest rate floors protect us from interest rates falling below a certain level, generally to match a floating rate floor on a debt instrument. At 31 December 2023, the pound sterling equivalent notional amounts of our purchased interest rate caps and floors were £1.3 billion and £4.4 billion, respectively. At 31 December 2022, the pound sterling equivalent notional amounts of our purchased interest rate caps and floors were £1.6 billion and £7.3 billion, respectively.

Impact of Derivative Instruments on Borrowing Costs

Excluding forward-starting instruments and swaptions, the impact of the derivative instruments that mitigate our foreign currency and interest rate risk, as described above, was a decrease of 95 basis points and 76 basis points to our borrowing costs at 31 December 2023 and 2022, respectively.

Foreign Currency Forwards and Options

We enter into foreign currency forward and option contracts with respect to non-functional currency exposure. As of 31 December 2023 and 2022, the total of the notional amounts of our foreign currency forward and option contracts was £160.6 million and £321.9 million, respectively.

(20) Fair Value Measurements (restated)[(a)]

We use the fair value method to account for our derivative instruments. The reported fair values of these instruments as of 31 December 2023 are unlikely to represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities.

In order to manage our interest rate and foreign currency exchange risk, we have entered into various derivative instruments, as further described in note 19. The recurring fair value measurements of these instruments are determined using discounted cash flow models. With the exception of the inputs for certain swaptions, most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these instruments. This observable data mostly includes currency rates, interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We use a Monte Carlo based approach to incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own non-performance risk and the non-performance risk of our counterparties. The inputs used for our credit risk valuations, including our and our counterparties' credit spreads, represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk valuation adjustments with respect to these instruments. As we would not expect these parameters to have a significant impact on the valuations of these instruments, we have determined that these valuations (other than the valuations of the aforementioned swaptions) fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 19.

Fair value measurements are also used in connection with non-recurring valuations performed in connection with acquisition accounting, impairment assessments and the accounting for the JV Transaction. These non-recurring valuations primarily include the enterprise value of our Company in connection with the closing of the JV Transaction, intangible assets subject to amortisation, including customer relationships and mobile spectrum licences, property, plant and equipment and the implied value of goodwill. The implied value of goodwill is determined by allocating the fair value of a CGU to all of the assets and liabilities of that unit as if the CGU had been acquired in a business combination, with the residual amount allocated to goodwill. ll of our non-recurring valuations, except for third-party debt, as further described below, use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy.

Upon formation of the JV Transaction, the assets and liabilities of Virgin Media and O2 have been recorded at their fair value, as further described in note 3.

The fair values of our financial assets, financial liabilities and inventory, together with the carrying amounts shown in our consolidated statements of financial position are as follows:

		31 December 2023		31 December 2022	
	Fair value hierarchy under IFRS 13 [(b)]	**Carrying amount in millions**	**Fair value in millions**	**Carrying amount in millions**	**Fair value in millions**
Assets carried at fair value:					
Derivative financial instruments	II	£ 1,245.9	£ 1,245.9	£ 2,063.0	£ 2,063.0
Assets carried at cost or amortised cost:					
Trade receivables and unbilled revenue [(a)]	I	£ 1,002.0	£ 1,002.0	£ 1,052.2	£ 1,052.2
Inventory	I	261.7	261.7	178.6	178.6
Restricted cash	I	43.4	43.4	41.4	41.4
Other current and non-current financial assets [(a)]	I	1,092.4	1,092.4	973.8	973.8
Cash and cash equivalents	I	875.6	875.6	492.0	492.0
Total		**£ 3,275.1**	**£ 3,275.1**	**£ 2,738.0**	**£ 2,738.0**
Liabilities carried at fair value:					
Derivative financial instruments	II	£ 911.6	£ 911.6	£ 690.9	£ 690.9
Liabilities carried at cost or amortised cost:					
Debt obligations	I	£ 20,718.6	£ 19,797.9	£ 19,424.0	£ 17,465.4
Accrued liabilities	I	1,093.2	1,093.2	1,340.1	1,340.1
Trade payables and other liabilities	I	1,463.6	1,463.6	1,374.8	1,374.8
Lease obligations	I	750.8	750.8	839.3	839.3
Total		**£ 24,026.2**	**£ 23,105.5**	**£ 22,978.2**	**£ 21,019.6**

(a) Certain prior year amounts within the details of our trade receivables and other unbilled revenue have been reclassified to conform to the current year presentation. - see further details in note 12.

(b) Level I refers to financial assets and liabilities measured at amortised cost, Levels II and III refer to financial assets and liabilities measured at fair value through profit or loss. Inventory is measured at cost less impairment.

(21) Investments

Name	Country of incorporation principal place of business	Proportion of ownership interest held as at 31 December 2023
Tesco Mobile Limited	United Kingdom	50%

We account for our investments over which we exercise significant influence under the equity method in our consolidated financial statements.

The carrying amount of our equity method investment in Tesco Mobile was £11.2 million and £9.6 million as of 31 December 2023 and 2022, respectively. During the years ended 31 December 2023 and 2022, we recognised comprehensive income of £1.6 million and £0.7 million, respectively, related to this investment.

(22) Share-based Compensation

Our share-based compensation expense relates to (i) charges for share-based incentive awards associated with ordinary shares of Liberty Global and Telefónica held by certain employees of our subsidiaries and (ii) charges for incentive awards associated with the performance of the JV, under the JV's long term incentive plan, held by certain employees of our subsidiaries.

All the outstanding share-based incentive awards from Liberty Global and Telefónica will vest by the end of 2024. Share-based compensation expense allocated to our Company by Liberty Global and Telefónica is reflected as an increase to consolidated equity, offset by any amounts recharged to us, and is included within other expenses in our consolidated statements of profit or loss.

All the outstanding incentive awards for the JV long term incentive plan will vest by the end of 2024. The associated expense is included within other expenses in our consolidated statements of profit or loss.

(23) Employee Benefit Plans

VMED O2 UK Limited maintains the following defined benefit and defined contribution plans for its employees:

Defined Benefit Plans:
- The defined benefit section of the Telefonica UK Pension Plan;
- The National Transcommunications Limited Pension Plan (NTL);
- The NTL 1999 Pension Scheme (NTL 99);
- Unfunded pension promises to former Telefonica UK employees; and
- Unfunded pension promises to former NTL employees, known as the Annual Compensation Payments (ACP) Plan.

Defined Contribution Plans:
- The Telefonica UK Pension Scheme;
- The Virgin Media Pension Plan; and
- The defined contribution section of the Telefonica UK Pension Plan

All of the defined benefit plans are closed to new entrants and further benefit accrual. The Telefonica UK Pension Scheme and the Virgin Media Pension Plan remains open to new entrants and further contributions and the employer contributions are recognised as part of our staffing costs.

Defined Benefit Plans

The defined benefit plans provide benefits based on pensionable service and the member's final pensionable salary. There are different normal retirement ages across these plans.

All of the defined benefit plans are closed to new entrants and further benefit accrual. The Telefonica UK Pension Scheme and the Virgin Media Pension Plan remain open to new entrants and further contributions and the employer contributions are recognised as part of our staffing costs.

The defined benefit plans are administered and managed by independent trustee boards on behalf of the members in accordance with the terms of the various trust deed and rules and relevant legislation (principally the Pensions Acts of 1993, 1995, 2004 and 2021). The trustee boards all include independent professional trustee directors, as well as directors nominated by both the Company and the membership

The Trustee regularly reviews the allocation of assets between different investment classes, taking into account current market conditions and trends. The allocations reflect the Trustee's views on the appropriate balance to be struck between seeking returns and incurring risk, and on the extent to which the assets should be allocated to match liabilities.

A valuation of our defined benefit plans was undertaken as of 31 December 2023 by suitably qualified independent actuaries. Our defined benefit plan assets are currently invested in a diversified range of debt securities, insurance contracts and certain other assets, which are aligned to the liability characteristics of the respective plans.

The actuarial risk that the assets invested in the plans will be insufficient to meet the expected benefits falls on the Company.

Events during the year

Section 37 court ruling

In June 2023, the High Court made a ruling in the case Virgin Media Ltd v NTL Pension Trustees II Limited (and the ruling related to Section 37 of the 1993 Pensions Act and the correct interpretation of historic legislation governing the amendment of contracted-out DB schemes). Following the Court ruling against the Company, we have chosen to appeal the judgement. A date has been set for the appeal to be heard in June 2024, and it is expected that the appeal outcome will be known during the second half of 2024. At present the Trustee of the Plan has received legal advice, which is to await the outcome of the appeal prior to implementing any changes to plan benefits. The Company considers this approach reasonable and appropriate.

Pension Buy-in

On 31 March 2023, the Trustee of the NTL 1999 Pension Scheme entered into an agreement with Aviva plc to purchase a bulk annuity insurance policy as an investment asset. Such an arrangement is commonly referred to as a "pension buy-in". The buy-in removes most of the material pension risk in respect of the NTL 99, while providing greater benefit security to the Scheme members. The buy-in premium was funded from assets of the Scheme. For some deferred members there remains a salary link to their benefits, as a result of which the Company, as well as Trustees of the scheme, are of the view that the purchase of the bulk annuity insurance policy is an investment decision. An investment loss of approximately £21m, based on the premium paid and the accounting valuation, has been recognised through OCI.

The amounts included in our consolidated statements of financial position as of 31 December 2023 and 2022 arising from obligations related to our defined benefit plans under IAS 19 are as follows:

	31 December 2023		31 December 2022	
	Funded in millions	Unfunded in millions	Funded in millions	Unfunded in millions
Fair value of plan assets	£ 1,801.3	£ —	£ 1,824.4	£ —
Projected benefit obligation	(1,516.6)	(3.1)	(1,464.2)	(4.3)
Net asset (liability) [(a)]	**£ 284.7**	**£ (3.1)**	**£ 360.2**	**£ (4.3)**

(a) VMED O2 is not required to limit any pension surplus, or recognise additional pension liabilities in individual plans as economic benefits are available in the form of future refunds.

Changes in the fair value of the plan assets associated with our various funded defined benefit plans for the indicated periods are set forth below (in millions):

Balance at 1 January 2022	**£ 2,720.1**
Return on assets (excluding interest income)	(1,079.5)
Employer contributions	213.4
Benefits paid	(76.0)
Interest income	49.7
Administration costs	(3.3)
Balance at 31 December 2022	**1,824.4**
Return on assets (excluding interest income)	(40.4)
Employer contributions	1.0
Benefits paid	(64.8)
Interest income	85.5
Administration costs	(4.4)
Balance at 31 December 2023	**£ 1,801.3**

We expect to contribute £1.1 million to our defined benefit plans during the year ending 31 December 2024, with these payments relating to the expected administration costs of the NTL and NTL 99.

Changes in the present value of the projected benefit obligations associated with our various funded and unfunded defined benefit plans during the indicated periods are set forth below:

	Funded in millions	Unfunded in millions
Balance at 1 January 2022	**£ (2,351.1)**	**£ (4.5)**
Reclassification of ACP from provisions	—	(1.1)
Actuarial loss on financial assumptions	1,008.2	1.8
Benefits paid	76.0	0.3
Actuarial loss on demographic assumptions	(0.8)	—
Interest cost	(41.8)	(0.1)
Actuarial loss on expectation adjustments	(154.7)	(0.7)
Balance at 31 December 2022	**(1,464.2)**	**(4.3)**
Actuarial loss on financial assumptions	(18.7)	—
Benefits paid	64.8	2.0
Actuarial loss on demographic assumptions	21.8	—
Interest cost	(68.4)	(0.2)
Actuarial loss on experience adjustments	(51.9)	(0.6)
Balance at 31 December 2023	**£ (1,516.6)**	**£ (3.1)**

All census data from the most recent triennial valuations has been reflected within the calculation of projected benefit obligations disclosed above.

Our defined benefit plan assets as of 31 December 2023 comprise the following:

	L1		L2	L3	
	Listed in millions	Unlisted in millions	Listed in millions	Unlisted in millions	Total in millions
Cash and cash equivalents	£ 197.0	£ 53.9	£ —	£ —	250.9
Cash-in-transit	—	—	—	48.1	48.1
Derivatives	—	—	(105.2)	—	(105.2)
Bonds	111.7	—	1,054.6	—	1,166.3
Private debt and equity	—	—	—	211.2	211.2
Insurance policies	—	—	—	229.1	229.1
Property	—	—	0.9	—	0.9
Total	**£ 308.7**	**£ 53.9**	**£ 950.3**	**£ 488.4**	**£ 1,801.3**

Valuation of L3 assets

The techniques used to determine the L3 asset values listed above are detailed for private debt and equity, and Insurance policies respectively.

Bonds and private debt and equity are valued using market valuations where possible. Where market valuations are not possible, assets are valued using one of the following methodologies depending on the nature of the underlying asset:

- Floating rate assets are priced at par unless the asset is impaired;
- Fixed rate assets are priced using a matrix pricing model;
- Where assets are deemed to be distressed, a decision will be made on whether the continued use of the model price is appropriate or the asset should be priced on an expected recovery basis;
- Certain debt instruments are valued using broker quotes where such quotes are available from reputable financial information providers and assessed accordingly; or
- Earnings and multiples analysis or discounted cash flow models are used for certain private debt and equity assets. Discounting inputs used can include risk free curves, credit spreads and asset premium spreads. Spreads are derived from observable baskets of assets, using credit spread matrices for corporate spreads according to currency, rating and maturity. Some filtering and calibration of the matrices is made for comparable assets.

Insurance policies are valued using the same methodology as the associated liability based on the census data included in the most recent triennial valuation, adjusted for movements in actuarial assumptions and inflation experience.

The details of the gain (loss) related to our defined benefit plans and recognised in the consolidated statements of comprehensive income (loss) are set forth below:

	2023		2022	
	Funded in millions	Unfunded in millions	Funded in millions	Unfunded in millions
Return on plan assets in excess of interest income	£ (40.4)	£ —	£ (1,079.5)	£ —
Actuarial gain (loss) on demographic assumptions	21.8	—	(0.8)	—
Actuarial (loss) gain on financial assumptions	(18.7)	—	1,008.2	1.8
Actuarial loss on experience adjustments	(51.9)	(0.6)	(154.7)	(0.7)
Total gain (loss) in other comprehensive income (loss)	**£ (89.2)**	**£ (0.6)**	**£ (226.8)**	**£ 1.1**

The main assumptions, shown as a range, as adopted under IAS 19, Employee Benefits for our defined benefit plans (funded and unfunded) as of 31 December 2023 are as follows:

	Telefónica UK and Unfunded Pension Plan	NTL and Unfunded ACP	NTL 99
Life expectancy (male currently age 60/40) (in years)	87.0 / 88.5	86.9 / 88.4	86.4 / 87.9
Life expectancy (female currently age 60/40) (in years)	89.1 / 90.5	89.1 / 90.6	88.8 / 90.2
Discount rate	4.5 %	4.6 %	4.5 %
Inflation assumptions:			
RPI	3.0 %	3.1 %	3.0 %
CPI	2.5 %	2.6 %	2.5 %
Mortality base table	95% / 105% (M/F) S3NA	92% / 98% (M/F) S3PA	98% / 103% (M/F) S3PA
Mortality future improvements	Continuous Mortality Investigation (CMI)_2022 projections with long term rate of improvement of 1.25% per annum, w2022 of 25%, and an initial addition of 0.25% for each of the plans		

At 31 December 2023, the weighted average duration of the defined benefit obligation of our Telefónica UK funded and unfunded Pension Plan, NTL funded and unfunded ACP, and NTL 99 funded plans were 18, 12, and 17 years,

A reduction in the discount rate and an increase in the inflation rate will result in an increase in the assessed value of liabilities as a higher value is placed on benefits expected to be paid in the future. A rise in the discount rate and an increase in the inflation rate will result in the opposite effect of similar magnitude. There is also uncertainty around the future life expectancy of the UK population. The value of current and future pension benefits will depend on how long these pensions are assumed to be in payment.

Any sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. In presenting sensitivity analysis the change in present value of defined benefit obligations has been calculated using the projected unit credit method as of 31 December 2023, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position. The rate of inflation assumption sensitivity factors in the impact of changes to all assumptions relating to inflation (RPI) including associated pension increase assumption. The following sensitivity analysis table summarises how a reasonably possible change in particular assumptions would, in isolation, result in an increase to the defined benefit obligation as of 31 December 2023 (in millions):

Decrease discount rate by 0.25%	£	56.5
Increase inflation rate by 0.25%	£	45.9
Increase life expectancy by 1 year	£	34.6

As of 31 December 2023, the expected future benefit payments from the plans are:

		Funded in millions		Unfunded in millions
Year ending 31 December:				
2024	£	66.5	£	0.2
2025		68.2		0.2
2026		70.1		0.2
2027		71.8		0.2
2028		73.7		0.2
Thereafter		2,957.0		5.0
Total	**£**	**3,307.3**	**£**	**6.0**

Defined Contribution Plans

The defined contribution plans provide post-employment benefits. Individual accounts are set up for each member and benefits are based on the fund value held in the account, which is based on the amounts paid into a member's account (both employer and employee contributions) as well as any investment return earned on these contributions. Under defined contribution plans the Company's legal or constructive obligation is limited to the amount that it agrees to contribute to the plan.

The expense related to defined contribution plans is equal to the contributions payable for the corresponding period. The expense included in our consolidated statements of comprehensive income for the years ended 31 December 2023 and 2022 was £75.9 million and £67.1 million, respectively.

The Telefonica UK Pension Scheme and the defined contribution section of the Telefonica UK Pension Plan are administered and managed by independent trustee boards on behalf of the members in accordance with these plans governing documentation and relevant legislation.

The Virgin Media Pension Plan is a contract based scheme and the Company has appointed Fidelity to administer and manage the plan, which is regulated by the FCA. The Company has established its own governance committee which meets at least twice a year to review the performance of Fidelity across a number of measures including administration and investment performance.

(24) Finance Costs and Income

A summary of the finance costs and income that are included in our net finance (costs) income is set forth below:

	Year ended 31 December	
	2023 in millions	**2022 in millions**
Finance costs:		
Interest expense	£ (1,274.5)	(866.1)
Realised and unrealised losses on derivative instruments	(1,138.9)	(1,264.4)
Foreign currency transaction losses	(412.1)	(1,891.8)
Losses on debt extinguishment	(4.0)	—
Total finance costs	**(2,829.5)**	**(4,022.3)**
Finance income:		
Interest income	50.0	20.9
Realised and unrealised gains on derivative instruments	334.9	3,452.6
Foreign currency transaction gains	1,001.3	787.2
Gains on debt extinguishment	13.7	—
Total finance income	**1,399.9**	**4,260.7**
Net finance (costs) income	**(1,429.6)**	**238.4**

(25) Income Taxes

VMED O2 UK Limited files its primary income tax return in the UK and our subsidiaries file income tax returns in the UK and the US. The major components of our income tax benefit (expense) are as follows:

	Year ended 31 December	
	2023 in millions	**2022 in millions**
Current tax benefit:		
Current year	£ (12.8)	£ (21.5)
Recognition of previously unrecognised tax benefits	12.8	51.2
Adjustments for previous years	0.4	15.4
Total current year benefit	**0.4**	**45.1**
Deferred tax benefit (expense):		
Origination and reversal of temporary differences and tax losses	183.4	(7.7)
Adjustments for previous years	31.2	16.9
Change in UK statutory tax rate	2.8	—
Recognition of previously unrecognised tax benefits	12.0	(61.5)
Total deferred tax benefit (expense)	**229.4**	**(52.3)**
Total income tax benefit (expense)	**£ 229.8**	**£ (7.2)**

During the year ended 31 December 2023 and 2022, deferred tax benefits of £20.4 million and £55.2 million, respectively, were recorded in other comprehensive income.

Income tax benefit (expense) attributable to our (loss) profit before income taxes differs from the amount computed using the UK corporate income tax rate as a result of the following factors:

	Year ended 31 December	
	2023 in millions	2022 in millions
(Loss) profit before income taxes	**£ (3,872.0)**	**£ 432.4**
Computed "expected" tax benefit (expense) [(a)]	**£ 909.9**	**£ (82.2)**
Non-deductible goodwill impairment	(730.1)	—
Fixed asset differences [(b)]	6.5	78.3
Impact of changes in tax rates on deferred tax assets and liabilities	12.0	(61.5)
Adjustment relating to prior years	31.6	32.3
Expenses not deductible for tax purposes	(7.2)	(15.1)
Foreign taxes	7.6	32.6
Other	(0.5)	8.4
Total income tax benefit (expense)	**£ 229.8**	**£ (7.2)**

(a) The statutory or "expected" tax rates are the UK blended statutory rate of 23.5% for 2023 and the UK statutory rate of 19.0% for 2022. The UK corporate income tax rate increased from 19.0% to 25.0% from 1 April 2023. The effect of the increased tax rate is reflected in our disclosure of deferred at at 31 December 2023.

(b) Fixed asset differences includes the impact of the UK "super-deduction" which provides a permanent tax benefit for the cost of qualifying capital expenditures as well as accelerating tax allowances on expenditure up to 31 March 2023.

The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and liabilities are presented in the tables below:

	1 January 2023 in millions	Recognised in profit or loss in millions	Recognised in other comprehensive income (loss) in millions	31 December 2023 in millions
Property, plant and equipment	£ 1,641.9	£ (71.1)	£ —	£ 1,570.8
Intangible assets	(1,590.5)	202.4	—	(1,388.1)
Tax losses	217.8	5.5	—	223.3
Pensions	(86.7)	(3.4)	21.5	(68.6)
Other	(114.1)	96.0	(1.1)	(19.2)
Deferred tax asset (liability)	**£ 68.4**	**£ 229.4**	**£ 20.4**	**£ 318.2**

	1 January 2022 in millions	Recognised in profit or (loss) in millions	Recognised in other comprehensive income (loss) in millions	31 December 2022 in millions
Property, plant and equipment	£ 1,549.0	£ 92.9	£ —	£ 1,641.9
Intangible assets	(1,757.5)	167.0	—	(1,590.5)
Tax losses	210.1	7.7	—	217.8
Pensions	(88.8)	(51.0)	53.1	(86.7)
Other	152.7	(268.9)	2.1	(114.1)
Deferred tax asset (liability)	**£ 65.5**	**£ (52.3)**	**£ 55.2**	**£ 68.4**

Our recognised deferred tax balances as of 31 December 2023 and 2022 are set forth below:

	31 December 2023		31 December 2022	
	Deferred tax assets in millions	Deferred tax liabilities in millions	Deferred tax assets in millions	Deferred tax liabilities in millions
Property, plant and equipment	£ 1,570.8	£ —	£ 1,641.9	£ —
Intangible assets	—	(1,388.1)	—	(1,590.5)
Tax losses	223.3	—	217.8	—
Pensions	—	(68.6)	—	(86.7)
Other	78.2	(97.4)	86.2	(200.3)
Deferred tax asset (liability)	**1,872.3**	**(1,554.1)**	**1,945.9**	**(1,877.5)**
Offset between deferred tax assets and liabilities	(1,554.1)	1,554.1	(1,876.5)	1,876.5
Net deferred tax asset (liability)	**£ 318.2**	**£ —**	**£ 69.4**	**£ (1.0)**

Where there is a right and ability to offset deferred tax balances, the position is presented net in our consolidated statements of financial position.

We have recognised a total net deferred tax asset (DTA) of £318.2 million for the year ended 31 December 2023. Of this, the largest component relates to property plant and equipment (PPE) arising from historically claiming tax deductions (capital allowances) at a lower rate than the accounting depreciation on the assets, offset by a liability on PPA intangible assets. We have reviewed the financial forecasts as described in note 11, and based on these and our expectations of the business we believe it is probable that the DTA will be fully utilised. We forecast that the DTA arising from PPE will have substantially all unwound within 20 years. This relatively long unwind period is the result of limitations on the maximum annual utilisation of capital allowances in the UK. We forecast that the business will have generated cumulative taxable profits that would, in the absence of these limitations, fully absorb the DTA within 10 years.

Our gross unrecognised deferred tax assets and tax loss carryforwards as of 31 December 2023 are as follows:

	31 December	
	2023 in millions	2022 in millions
Capital losses	£ 12,101.6	£ 12,101.6
Tax losses	29.4	29.4
Deductible temporary differences	117.1	325.4
Total	**£ 12,248.1**	**£ 12,456.4**

These deductible temporary differences and tax loss carry forwards are not subject to expiration. The use of the items above is highly restricted and they may only be offset against certain limited types of gains or profits. It is not regarded as probable that such gains or profits will arise.

We have taxable temporary differences on certain investments in subsidiaries. No additional income taxes have been provided for unremitted earnings, or any additional temporary differences associated with investments in subsidiaries, because the Company is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these temporary differences.

In the normal course of business, our income tax filings are subject to review by UK and US taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in these tax jurisdictions. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities.

As of 31 December 2023 and 2022, we recorded provisions for uncertain tax positions of £6.5 million and £20.5 million, respectively. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the Company's tax computations.

On 16 August 2022, the Inflation Reduction Act was signed into law in the US. Although this legislation does not increase the US corporate income tax rate, it includes, among other provisions, a new 15.0% corporate alternative minimum tax (**CAMT**) on "adjusted financial statement income" that is effective for tax years beginning after 31 December 2022. CAMT did not have an impact on our consolidated financial statements for the year ended 31 December 2023. We will continue to monitor additional guidance as it is issued to assess the impact to our tax position.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15.0%. The legislation was enacted on 11 July 2023. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. We do not currently anticipate that this legislation will have a material impact on our financial statements, but we will continue to monitor future legislation and any additional guidance that is issued.

(26) Reconciliation of Movements in Liabilities to Cash Flows from Financing Activities

	Debt and lease obligations in millions	Derivative (assets) liabilities in millions	Dividends in millions	Total in millions
1 January 2023	**£ 20,263.3**	**£ (1,372.1)**	**£ —**	**£ 18,891.2**
Cash flows from financing activities:				
Repayments of third-party debt and lease obligations:				
Principal payments on operating-related vendor financing	(1,894.6)	—	—	(1,894.6)
Debt (excluding vendor financing)	(2,120.2)	—	—	(2,120.2)
Principal payments on capital-related vendor financing	(916.6)	—	—	(916.6)
Principal payments on leases	(219.1)	—	—	(219.1)
Borrowings of third-party debt	3,470.2	—	—	3,470.2
Operating-related vendor financing additions	2,509.9	—	—	2,509.9
Payment of financing costs and debt premiums	(15.3)	—	—	(15.3)
Net cash paid related to derivative instruments	—	(9.1)	—	(9.1)
Dividends paid	—	—	(2,000.0)	(2,000.0)
Other financing activities, net	(0.4)	—	—	(0.4)
Total cash flows from financing activities	**813.9**	**(9.1)**	**(2,000.0)**	**(1,195.2)**
Gains on debt extinguishment	(9.7)	—	—	(9.7)
Realised and unrealised losses on derivative instruments, net	—	804.0	—	804.0
Interest accruals	29.6	—	—	29.6
Assets acquired under vendor financing arrangements, including VAT	849.3	—	—	849.3
Assets acquired under leases	117.5	—	—	117.5
Effect of changes in foreign exchange rates	(572.0)	—	—	(572.0)
Proceeds from interest-related derivatives	—	242.9	—	242.9
Other liability-related changes	(22.5)	—	—	(22.5)
31 December 2023	**£ 21,469.4**	**£ (334.3)**	**£ (2,000.0)**	**£ 19,135.1**

(27) Related-party Transactions

Our significant related-party agreements are set forth below.

Shareholders Agreement

We are a wholly-owned subsidiary of VMED O2 UK Limited. In connection with the JV Transaction, on 1 June 2021, Liberty Global and Telefónica entered into a shareholders agreement (the Shareholders Agreement). Each Shareholder holds 50% of the issued share capital of VMED O2 UK Limited. The Shareholders Agreement contains customary provisions for the governance of a 50:50 joint venture that result in Liberty Global and Telefónica having joint control over decision making with respect to the Joint Venture and each Shareholder has the right to initiate an initial public offering after the third anniversary of the closing.

The Shareholders Agreement also provides (i) for a dividend policy that requires VMED O2 UK Limited, subject to certain exceptions, to distribute all unrestricted cash to the Shareholders as soon as reasonably practicable following each quarterly period (subject to our Company maintaining a minimum amount of cash and complying with the terms of our financing arrangements) and (ii) that VMED O2 UK Limited will be managed with a leverage ratio between 4.0 and 5.0 times EBITDA (as defined in the Shareholders Agreement), including the completion of periodic recapitalisations and/or refinancings.

Charges for JV Services - Framework Services Agreements

Pursuant to the framework services agreements (collectively, the JV Service Agreements) entered into in connection with the closing of the JV Transaction, Liberty Global and Telefónica charge VMED O2 UK Limited fees, which our parent passes through, for certain services provided to us by the Shareholders and their respective subsidiaries (collectively, the JV Services). The JV Services are provided to us on a transitional or ongoing basis. Pursuant to the terms of the JV Service Agreements, both the ongoing services and transitional services are provided for specified terms from the 1 June 2021 formation of the Joint Venture. The JV Services provided by the Shareholders and their respective subsidiaries consist primarily of (i) technology and other services, (ii) capital-related expenditures for assets that we use or otherwise benefit us, (iii) brand name and procurement fees and (iv) certain corporate services. The fees that Liberty Global and Telefónica charge us for the JV Services, as set forth in the table below, include both fixed and usage-based fees.

Fibre Joint Venture Agreements

In December 2022, Liberty Global and Telefónica, along with investment firm InfraVia Capital Partners, formed a new fibre joint venture to build a wholesale FTTH network in the UK under the brand name nexfibre. nexfibre is rolling out fibre to 5 million greenfield homes not currently served by VMED O2's network by 2026, with the option to expand to an additional 2 million greenfield homes. VMED O2 is an anchor tenant of the new network, extending its total fibre footprint to up to 23 million homes, as well as providing its well-established network expansion expertise, systems and relationships to nexfibre, including construction, IT, technology and corporate services.

All related-party transactions relate to regular trading activities of our Company and are on an arm's length basis. Our related-party transactions consist of the following:

	Year ended 31 December			
		2023 in millions		2022 in millions
Credits (charges) included in:				
Revenue	£	903.3	£	291.1
Cost of sales		(1.4)		(2.7)
Other expenses		(259.6)		(301.9)
Share-based compensation expense		(15.5)		(25.6)
Included in net profit	**£**	**626.8**	**£**	**(39.1)**
Property, plant and equipment transfers, net	**£**	**5.2**	**£**	**3.6**

Revenue. Amounts primarily consist of our charges to nexfibre, charges to the Tesco Mobile Limited (Tesco Mobile) joint venture, commissions from Telefónica for handset insurance policy sales and to a lesser extent, roaming charges to Telefónica.

Cost of sales. Amounts primarily consist of interconnect, roaming, lease and access fees and other services provided to us by certain subsidiaries of Liberty Global and Telefónica.

Other expenses. Amounts primarily consist of support function staffing, network and technology services provided to us by certain subsidiaries of Liberty Global and Telefónica, as well as brand and licensing fees payable to Telefónica for use of the "O2", "O2 Refresh" and "Priority" brands.

Share-based compensation expense. Amounts relate to charges for share-based incentive awards held by certain employees of our subsidiaries associated with ordinary shares of Liberty Global and Telefónica. Such awards were granted to employees prior to the closing of the JV Transaction. Share-based compensation expense is included in other expenses in our consolidated statements of profit or loss.

Property, plant and equipment transfers, net. Amounts primarily represent net transfers with certain Liberty Global subsidiaries and associates.

The following table provides details of our related-party balances:

	31 December			
		2023 in millions		2022 in millions
Assets:				
Trade receivables [a]	£	75.5	£	
Other current receivables [b]		190.7		4.5
Total	**£**	**266.2**	**£**	**4.5**
Liabilities:				
Lease obligations [c]	£	108.5	£	105.8
Accounts payable [d]		225.3		166.1
Accrued and other liabilities [d]		87.4		91.8
Total	**£**	**421.2**	**£**	**363.7**

(a) Amounts primarily relate to trade receivables arising from our charges to Tesco Mobile.
(b) Amounts primarily relate to non-interest bearing receivables due from certain Liberty Global and Telefónica subsidiaries, and accrued income from nexfibre.
(c) Amounts represent lease obligations with certain Liberty Global subsidiaries and associates.
(d) Amounts represent both non-interest and interest-bearing payables, accrued capital expenditures and other accrued liabilities related to transactions with certain Liberty Global and Telefónica subsidiaries and associates, which are periodically cash settled.

(28) Capital and Reserves

Share Capital

	31 December 2023	31 December 2022
Called up, allotted and fully paid:		
Ordinary shares of £1 each	12	12

Share capital represents the nominal value on issue of the Company's equity share capital, comprising £12 divided into 12 ordinary shares of £1.00 each.

APIC

APIC includes share premium (£7,001.9 million) and a non-distributable merger reserve (£8,223.1 million) resulting from the formation of the Joint Venture.

Accumulated Profit

Accumulated profit records the Group's retained profit or loss.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes the pension reserve and translation reserve. The translation reserve is used to record cumulative translation differences on the net assets of foreign operations. The cumulative translation differences will be recycled to the consolidated statements of profit or loss upon disposal of the foreign operations.

Other Reserves

Other reserves includes £212.5 million excess consideration over NBV, resulting from the sale of a minority stake in CTIL (see note 29).

(29) Non-controlling Interests

On 15 November 2023, we sold a 16.67% minority stake in CTIL to the infrastructure fund GLIL Infrastructure LLP (GLIL) for which we received £359.5 million as cash consideration. The sale was structured through Granstone Holdco Limited (Granstone) (formerly known as VMED O2 Networks Limited), a subsidiary undertaking of VMED O2, Granstone continues to own a 50% share of CTIL. GLIL purchased 33.3% of Granstone with VMED O2 owning the remaining 66.7%. VMED O2 continues to proportionally consolidate Granstone, but recognises a non-controlling interest for the proportion of results attributable to GLIL.

CTIL remains a critical supplier to VMED O2, and this transaction will not impact the existing commercial network sharing agreement between Vodafone and VMED O2, which sees the two companies share radio equipment across certain areas of the country.

The following table summarises VMED O2's interest in Granstone and the relevant non-controlling interest:

		31 December 2023 In millions
Non-current assets	£	1,067.9
Current assets		125.6
Non-current liabilities		(559.0)
Current liabilities		(194.3)
Net assets	**£**	**440.2**
Net assets attributable to non-controlling interest	£	146.6

	Period from 15 November 2023 - 31 December 2023 In millions
Revenue	11.0
Net loss	**(1.1)**
Net profit (loss) attributable to non-controlling interest	(0.4)

(30) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our Company to make cash payments in future periods with respect to programming contracts, network and connectivity commitments, JV service agreements, purchases of customer premise and other equipment and services and other items. The following table sets forth the pound sterling equivalents of such commitments as of 31 December 2023. The commitments included in this table do not reflect any liabilities that are included in our 31 December 2023 consolidated statement of financial position.

	Payments due during						
	2024 In millions	2025 In millions	2026 In millions	2027 In millions	2028 In millions	Thereafter In millions	Total In millions
Programming commitments (a)	£ 551.9	£ 402.3	£ 396.3	£ 377.8	£ 186.0	£ —	£ 1,914.3
Network and connectivity commitments (b)	931.5	138.8	54.9	20.4	11.9	175.3	1,332.8
JV Service Agreements (c)	183.8	187.9	192.1	179.5	171.7	251.7	1,166.7
Purchase commitments (d)	577.3	196.6	105.6	92.7	81.8	37.8	1,091.8
Other commitments	112.2	41.6	26.4	21.3	14.2	—	215.7
Total	**£ 2,356.7**	**£ 967.2**	**£ 775.3**	**£ 691.7**	**£ 465.6**	**£ 464.8**	**£ 5,721.3**

(a) Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. Programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect this will continue to be the case in future periods.

(b) Network and connectivity commitments include (i) service commitments associated with the nexfibre construction programme (see below for further details), (ii) commitments associated with VMED O2's full fibre upgrade and (iii) commitments associated with our MVNO agreements. The amounts reflected in the above table with respect to certain of our MVNO commitments represent fixed minimum amounts payable under these agreements and, therefore, may be significantly less than the actual amounts we ultimately pay in these periods. The migration of Virgin Mobile customer plans to O2 commenced in March 2023 and was completed by the end of the year.

(c) Pursuant to the JV Service Agreements entered into in connection with the closing of the JV Transaction, Liberty Global and Telefónica charge VMED O2 UK Limited fees, which our parent passes through, for JV Services. The JV Services are provided to us on a transitional or ongoing basis. Pursuant to the terms of the JV Service Agreements, both the ongoing services and transitional services are provided for specified terms from the 1 June 2021 formation of VMED O2 UK Limited. The JV Services provided by the Shareholders and their respective subsidiaries consist primarily of (i) technology and other services, (ii) capital-related expenditures for assets that we use or otherwise benefit us, (iii) brand name and procurement fees and (iv) certain corporate services. The amounts set forth in the table above represent fixed minimum charges from Liberty Global and Telefónica pursuant to the JV Service Agreements. In addition to the fixed minimum charges, the JV Service Agreements provide for certain JV Services to be charged to us based upon usage of the services received. The fixed minimum charges set forth in the table above exclude fees for the usage-based services as these fees will vary from period to period. Accordingly, we expect to incur charges in addition to those set forth in the table above for usage-based services.

(d) Purchase commitments include unconditional and legally binding obligations related to (i) the purchase of customer premise and other equipment and (ii) certain service-related commitments, including call centre, information technology and maintenance services.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments, see note 19.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) performance and financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our Company making any material payments and we do not believe that they will result in material payments in the future.

Legal and Regulatory Proceedings and Other Contingencies

Disclosure Requests. O2 has been addressing a request for disclosure made by governmental authorities related to possible violations of anti-bribery laws and regulations. O2 continues to co-operate with the governmental authorities investigating this matter, which is still ongoing. It is not possible at this time to predict the full scope or duration of this matter or its eventual outcome.

Phones 4u. Legal proceedings were issued in the High Court against O2 by the Administrators of Phones 4u. The trial of this case in the High Court took place in Spring/Summer 2022. Judgement was handed down in November 2023. The Court rejected all of Phones4u's claims. The Court of Appeal granted Phones 4u's applicable. The appeal in this matter is likely to be heard during the next 12 months.

Class action regarding alleged combined handset and airtime charges overpayment. In December 2023 we received a claim brought against Telefonica UK by an individual acting as a proposed class representative. The same individual is bringing similar claims against the other three mobile network operators. These claims are brought in the Competition Appeal Tribunal. It is alleged in these claims that customers with combined handset and airtime contracts have been overcharged when their handset minimum term contract expired. The claimant assesses the value of the claim against Telefonica UK at £256.0 million and as against the four mobile network operators at £3.3 billion. Discussions regarding the claims are preliminary and there are various procedural stages to be completed before the matter may proceed. We intend to vigorously defend this matter.

Other Regulatory Matters. Mobile, broadband internet, video and fixed-line telephony businesses are subject to significant regulation and supervision by various regulatory bodies in the UK. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property, plant and equipment additions. In addition, regulation may also restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

In addition to the foregoing items, we may have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and employment, property, withholding and other tax issues and (iii) disputes over interconnection, programming, copyright and channel carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavourable outcomes.

(31) Principal Undertakings

Investments in which the Group held at least 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows. All companies are registered in England and Wales, unless otherwise noted.

Direct Shareholdings

Name of company	Company number	Holdings	Proportion held
VMED O2 UK Holdings Limited	13047827	Ordinary	100 %

Indirect Shareholdings

Name of company	Company number	Holdings	Proportion held
Birmingham Cable Limited	2244565	Ordinary	100 %
Bitbuzz UK Limited	8178308	Ordinary	100 %
CableTel Herts and Beds Limited	1785533	Ordinary	100 %
CableTel Northern Ireland Limited	NI029131 (a)	Ordinary	100 %
CableTel Surrey and Hampshire Limited	2740651	Ordinary	100 %
Cellular Radio Limited	1612599	Ordinary	100 %
DX Communications Limited	SC133682 (b)	Ordinary	100 %
Eurobell (Holdings) Limited	2904215	Ordinary	100 %
Flextech Limited	2688411	Ordinary	100 %
General Cable Limited	4925679	Ordinary	100 %
giffgaff Limited	4196996	Ordinary	100 %
Granstone Holdco Limited (formerly VMED O2 Networks Limited)	14907010	Ordinary	67 %
ntl (B) Limited	2735732	Ordinary	100 %
ntl (BCM Plan) Pension Trustees Limited	4342230	Ordinary	100 %
ntl (South East) Limited	1870928	Ordinary	100 %
ntl (V)	2719474	Ordinary	100 %
ntl Business Limited	3076222	Ordinary	100 %
ntl CableComms Group Limited	3024703	Ordinary	100 %
NTL CableComms Group LLC	N/A (c)	Common Interest Units	100 %
ntl Communications Services Limited	3403985	New Ordinary	100 %
ntl Glasgow	SC075177 (d)	Ordinary and Ordinary B	100 %
ntl Glasgow Holdings Limited	4170072	Ordinary	100 %
ntl Kirklees	2495460	Ordinary	100 %
ntl Kirklees Holdings Limited	4169826	Ordinary	100 %
ntl Midlands Limited	2357645	Ordinary	100 %
ntl Pension Trustees II Limited	11258264	Ordinary	100 %
ntl Pension Trustees Limited	3771014	Ordinary	100 %
ntl Rectangle Limited	4329656	Ordinary	100 %
ntl South Central Limited	2387692	Ordinary	100 %
ntl Telecom Services Limited	2937788	Ordinary	100 %
ntl Trustees Limited	2702219	Ordinary	100 %
O2 Cedar Limited	4678681	Ordinary	100 %

Name of company	Company number	Holdings	Proportion held
O2 Communications Limited	4271548	Ordinary	100 %
O2 Holdings Limited	2604354	Ordinary	100 %
O2 Networks Limited	2604351	Ordinary	67 %
O2 Redwood Limited	2383186	Ordinary	100 %
O2 Unify Limited	7999361	Ordinary	100 %
Statiq Limited	8702435	Ordinary	100 %
Telefonica Cybersecurity Tech UK Limited	12490724	Ordinary	100 %
Telefonica Europe People Services Limited	486438 (e)	Ordinary	100 %
Telefonica UK Limited	1743099	Ordinary A and Ordinary B	100 %
Telefonica UK Pension Trustee Limited	4267552	Ordinary	100 %
Telewest Communications (Scotland) Limited	SC080891 (d)	Ordinary	100 %
Telewest Communications Cable Limited	2883742	Ordinary	100 %
Telewest Communications Networks Limited	3071086	Ordinary	100 %
Telewest Limited	3291383	Ordinary	100 %
The Mobile Phone Store Limited	2837875	Ordinary	100 %
Theseus No.1 Limited	2994027	Ordinary	100 %
Theseus No.2 Limited	2994061	Ordinary	100 %
Upp Corporation Limited	12442219	Ordinary	100 %
Virgin Media Bristol LLC	N/A (c)	Common Membership Interests	100 %
Virgin Media Business Limited	1785381	Ordinary	100 %
Virgin Media Communications Limited	3521915	Ordinary	100 %
Virgin Media Finance Holdings Inc.	N/A (c)	Common Stock	100 %
Virgin Media Finance PLC	5061787	Ordinary	100 %
Virgin Media Finco 2 Limited	12581419	Ordinary	100 %
Virgin Media Finco Limited	8045612	Ordinary	100 %
Virgin Media Inc.	N/A (c)	Common Stock	100 %
Virgin Media Intermediary Purchaser Limited	13047371	Ordinary	100 %
Virgin Media Investment Holdings Limited	3173552	Ordinary	100 %
Virgin Media Investments Limited	7108297	Ordinary	100 %
Virgin Media Limited	2591237	Ordinary and New Ordinary	100 %
Virgin Media Mobile Finance Limited	9058868	Ordinary	100 %
Virgin Media National Networks Limited	5174655	Ordinary	100 %
Virgin Media O2 Employee Medical Trust Limited	5993968	Ordinary	100 %
Virgin Media Operations Limited	11118162	Ordinary	100 %
Virgin Media Payments Limited	6024812	Ordinary	100 %
Virgin Media PCHC Limited	1733724	A Ordinary	100 %
Virgin Media Secretaries Limited	2857052	Ordinary	100 %
Virgin Media Secured Finance PLC	7108352	Ordinary	100 %
Virgin Media Senior Investments Limited	10362628	Ordinary	100 %

Name of company	Company number		Holdings	Proportion held
Virgin Media SFA Finance Limited	7176280		Ordinary	100 %
Virgin Media Trade Receivables Intermediary Financing Limited	12552094		Ordinary	100 %
Virgin Media Wholesale Limited	2514287		Ordinary	100 %
Virgin Mobile Telecoms Limited	3707664		Ordinary	100 %
Virgin WiFi Limited	4414701		Ordinary	100 %
VM Transfers (No 4) Limited	2369824		Ordinary	100 %
VMED O2 Secretaries Limited	4272689		Ordinary	100 %
VMED O2 UK Financing I plc	12800739	(f)	Ordinary	100 %
VMED O2 UK Financing II plc	12804417	(f)	Ordinary	100 %
VMED O2 UK Holdco 1 Limited	12800546	(f)	Ordinary	100 %
VMED O2 UK Holdco 3 Limited	12807077	(f)	Ordinary	100 %
VMED O2 UK Holdco 4 Limited	12809596	(f)	Ordinary	100 %
VMED O2 UK Holdco 5 Limited	15016818		Ordinary	100 %
Weve Limited	8178832		Telefonica A B Shares	100 %
Yorkshire Cable Communications Limited	2490136		Ordinary	100 %

Investments in Joint Ventures and Associates

Name of company	Company number		Holdings	Proportion held
Cornerstone Telecommunications Infrastructure Limited	8087551	(g)	Ordinary	33 %
Digital Mobile Spectrum Limited	8247385	(h)	Ordinary	25 %
Internet Matters Limited (1)	8822801	(i)	Limited by guarantee	25 %
Tesco Mobile Limited	4780736	(j)	Ordinary	50 %
Travel Technology Initiative Limited (1)	2398368	(k)	Ordinary	14 %

(1) Investment carrying values are nil and thus excluded from note 21.

All companies are registered at 500 Brook Drive, Reading, RG2 6UU, unless otherwise noted below.

(a) Unit 3, Blackstaff Road, Kennedy Way Industrial Estate, Belfast, BT11 9AP
(b) The Ca'D'Ore, 45 Gordon Street, Glasgow, G1 3PE
(c) 1550 Wewatta Street, Suite 1000, Denver, CO 80202
(d) 1 South Gyle Crescent Lane, Edinburgh, EH12 9EG
(e) 13-18 City Quay, Dublin, Dublin 2, D02 ED70
(f) Griffin House, 161 Hammersmith Road, London W6 8BS
(g) Hive 2, 1530 Arlington Business Park, Theale, Berkshire, RG7 4SA
(h) 24 - 25 The Shard, 32 London Bridge Street, London SE1 9SG
(i) One London Wall, 6th Floor, London EC2Y 5EB
(j) Shire Park, Welwyn Garden City, Hertfordshire, AL7 1GA
(k) 8th Floor Beckett House, 36 Old Jewry, London, England, EC2R 8DD

(32) Subsequent Events

In January 2024, we drew down €20.0 million under Term Loan Z. The proceeds will be used for refinancing.

In January 2024, we utilised the Revolving Facility, drawing down an aggregate amount of £360.0 million, which was subsequently repaid in February and March 2024.

In February 2024, we reduced our 2026 tranche of the Revolving Facility by £54.2 million.

In March 2024, certain lenders under Term Loan X extended the maturity of their commitments to 30 September 2029. This was effected by way of such lenders under Term Loan X converting their respective commitments in Term Loan X into commitments under a new Term Loan X1. Following the conversion, the residual principal amount of commitments remaining in Term Loan X was £283.7 million (this was subsequently reduced by £46.8 million to £236.9 million on 25 March 2024) and the principal amount of Term Loan X1 is £750.0 million (which includes additional borrowing of £33.7 million). The additional proceeds, £33.7 million, will be used for refinancing.

In April 2024, we issued €600.0 million principal amount of Euro denominated Senior Secured Notes and $750.0 million principal amount of U.S. dollar denominated Senior Secured Notes. These were issued at par, mature on 15 April 2032 and bear interest at 5.625% and 7.75%, respectively. The proceeds from these 2032 Senior Secured Notes were used to (i) purchase and cancel £259.4 million outstanding principal of our existing 2027 Sterling Senior Secured Notes and (ii) repay £296.1 million, £258.7 million and £236.9 million of Facility L, M and X, respectively, under VMED O2 Credit Facilities. As per our policy, the interest and foreign currency risk of such refinancing activity is mitigated through our derivative portfolio.

On 9 April 2024, the shareholders approved a capital reduction supported by the solvency statement made by the Directors in accordance with the provisions of the Companies Act 2006, by way of a reduction to nil of the amount credited to the share premium reserves. The capital reduction is effective from 10 April 2024.

(33) Alternative Performance Measures

VMED O2 UK Limited use various non-IFRS financial measures to evaluate growth trends, assess operational performance and monitor cash performance. We consider that these measures enable investors to understand the ongoing operations of the business. They are used by management to monitor financial performance as it is considered to aid comparability of the financial performance from year to year.

These APMs should not be viewed as a complete picture of VMED O2 UK Limited's financial performance which is presented in the reported results. The exclusion of certain items may result in a more favourable view when costs such as depreciation and amortisation, costs to capture (CTC), restructuring and other operating expenses are excluded. These measures may not be comparable when reviewing similar measures reported by other companies.

Adjusted EBITDA

Adjusted EBITDA is the primary measure used by our chief operating decision maker to evaluate operating performance and is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources and (ii) evaluate the effectiveness of our management for the purposes of annual and other incentive compensation plans. Adjusted EBITDA is defined as profit (loss) from continuing operations before net income tax (expense) benefit, other non-operating income or expenses, share of results of investments accounted for by the equity method, net finance income (costs), depreciation and amortisation, share-based compensation, impairment, restructuring and other operating items and CTC operating expenses. Share-based compensation for the purposes of calculating Adjusted EBITDA also includes awards granted to VMED O2 UK Limited employees that are settled with Liberty Global or Telefónica shares. Opex CTC generally include incremental, third-party operating costs that are directly associated with integration activities, restructuring activities and certain other costs associated with aligning our business processes to derive synergies. See the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section for a reconciliation to the closest equivalent statutory measure, operating profit.

	Year ended 31 December	
	2023 in millions	**2022 in millions**
Operating (loss) profit	£ (2,457.9)	£ 196.9
Restructuring and other operating expenses	132.9	62.6
Goodwill impairment	3,107.0	—
Share-based compensation expense	24.9	43.6
Depreciation and amortisation	3,205.2	3,553.9
Opex CTC	83.9	74.6
Adjusted EBITDA	**£ 4,096.0**	**£ 3,931.6**

Transaction Adjusted Revenue and Transaction Adjusted EBITDA

Transaction Adjusted Revenue and Transaction Adjusted EBITDA are defined as revenue and Adjusted EBITDA normalised for certain adjustments, which have been made to more accurately represent the performance of the underlying operations. These adjustments reflect the fair value measurement required, in connection with the completion of the joint venture, whereby the opening balance sheet of the combined business was reported at its estimated fair value, resulting in the adjustment of certain deferred revenue, primarily installation, and deferred commission and install cost balances, which would have otherwise been released and recognised as revenue and operating costs respectively. Effective in 2024 reporting, transaction adjustments will no longer be reported on the basis of materiality. We believe this is a key metric to understand VMED O2 UK Limited's growth, as it allows for a more meaningful comparison of trends from period to period. See the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for a reconciliation to the closest equivalent statutory measures, revenue and operating income respectively.

	Year ended 31 December	
	2023 in millions	2022 in millions
Revenue	£ 10,912.7	£ 10,360.0
Deferred revenue - Transaction Adjustments	10.5	21.9
Transaction Adjusted Revenue	**£ 10,923.2**	**£ 10,381.9**

	Year ended 31 December	
	2023 in millions	2022 in millions
Adjusted EBITDA (see above for reconciliation to nearest statutory measure)	£ 4,096.0	£ 3,931.6
Deferred revenue - Transaction Adjustments	10.5	21.9
Deferred commissions and install cost - Transaction Adjustments	(4.2)	(48.1)
Transaction Adjusted EBITDA	**£ 4,102.3**	**£ 3,905.4**

P&E Additions

P&E additions are defined as tangible and intangible asset additions, excluding capex CTC, and ROU asset additions. Capex CTC are capital-related costs that are directly associated with integration and aligning our business processes to derive synergies. We believe this is a key metric to understand VMED O2's total capital expenditure and allows for a more meaningful comparison of trends from period to period. Please see below for reconciliation to final P&E additions figure:

	Year ended 31 December	
	2023 in millions	2022 in millions
Tangible fixed asset additions (note 11)	£ 1,908.7	£ 2,158.2
Intangible fixed asset additions (note 11)	303.0	249.8
ROU asset additions (note 16)	(117.5)	(100.6)
Capex CTC	(100.8)	(246.1)
P&E additions	**£ 1,993.4**	**£ 2,061.3**

Adjusted Free Cash Flow

Adjusted Free Cash Flow (**AFCF**) is defined as the net cash provided by our operating activities, plus expenses financed by an intermediary, less (i) capital expenditures, as reported in our consolidated statements of cash flows, (ii) principal payments on amounts financed by vendors and intermediaries and (iii) principal payments on certain finance leases. We believe that our presentation of AFCF, which is a non-GAAP measure, provides useful information to our investors because this measure can be used to gauge our ability to service debt and fund new investment opportunities. AFCF should not be understood to represent our ability to fund discretionary amounts, as we have various mandatory and contractual obligations, including debt repayments, which are not deducted to arrive at this amount. Investors should view AFCF as a supplement to, and not a substitute for, IFRS measures of liquidity included in our consolidated statements of cash flows.

	Year ended 31 December	
	2023 in millions	2022 in millions
Net cash provided by operating activities	£ 2,679.1	£ 2,953.6
Operating-related vendor financing additions (note 15)	2,509.9	1,765.8
Capital expenditures, net (note 11)	(1,436.6)	(1,522.2)
Principal payments on vendor financing (note 15)	(2,811.2)	(2,333.6)
Principal payments on certain leases (note 16)	(219.1)	(197.5)
AFCF	**£ 722.1**	**£ 666.1**

Company statements of financial position

	Note References	31 December 2023 in millions		31 December 2022 in millions	
ASSETS					
Non-current assets:					
Investments in subsidiaries	6	£	20,559.8	£	20,559.8
Debtors: amounts falling due after more than one year			90.0		93.8
Total non-current assets			**20,649.8**		**20,653.6**
Current assets:					
Debtors: amounts falling due within one year	7		26.8		23.2
Cash and cash equivalents			632.5		445.9
Total current assets			**659.3**		**469.1**
Total assets		**£**	**21,309.1**	**£**	**21,122.7**
LIABILITIES AND OWNER'S EQUITY					
Non-current liabilities:					
Creditors: amounts falling due after more than one year	8	£	13,619.8	£	10,875.4
Current liabilities:					
Creditors: amounts falling due within one year	8		80.5		71.8
Total liabilities			**13,700.3**		**10,947.2**
Owners' equity:					
Share premium	9		7,001.9		7,001.9
Accumulated profit			606.9		3,173.6
Total owners' equity			**7,608.8**		**10,175.5**
Total owners' equity and liabilities		**£**	**21,309.1**	**£**	**21,122.7**

The notes on pages 164 to 168 for part of the financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 May 2024 by:

Charles Bracken
Director
Company Registration Number: 12580944

Company statements of changes in equity

	Note References	Ordinary shares in millions		Share premium in millions		Accumulated profit in millions		Total owners' equity in millions	
Balance at 1 January 2023		**£**	**—**	**£**	**7,001.9**	**£**	**3,173.6**	**£**	**10,175.5**
Net loss	3		—		—		(566.7)		(566.7)
Dividends paid	5		—		—		(2,000.0)		(2,000.0)
Balance at 31 December 2023		**£**	**—**	**£**	**7,001.9**	**£**	**606.9**	**£**	**7,608.8**

	Note References	Ordinary shares in millions		Share premium in millions		Accumulated profit in millions		Total owners' equity in millions	
Balance at 1 January 2022		**£**	**—**	**£**	**7,001.9**	**£**	**5,102.1**	**£**	**12,104.0**
Net loss	3		—		—		(328.5)		(328.5)
Dividends paid	5		—		—		(1,600.0)		(1,600.0)
Balance at 31 December 2022		**£**	**—**	**£**	**7,001.9**	**£**	**3,173.6**	**£**	**10,175.5**

The notes on pages 164 to 168 for part of the financial statements.

Notes to Company Financial Statements 31 December 2023

(1) Company Information

VMED O2 UK Limited (the **Company**) is a private company incorporated, domiciled and registered in the United Kingdom (UK) The registered number is 12580944 and the registered address is Griffin House, 161 Hammersmith Road, London, W6 8BS.

(2) Summary of Significant Accounting Policies

A summary of our principal accounting policies is set forth below. All accounting policies have been applied consistently, unless otherwise noted.

Basis of Accounting

These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2006 and the Financial Reporting Standard 101 Reduced Disclosure Framework (**FRS 101**).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures, where required equivalent disclosures are included within the consolidated financial statements:

- Cash flow statements and related notes;
- Disclosures in respect of related-party transactions with fellow Group undertakings;
- Disclosures in respect of capital management;
- The effects of new but not yet effective International Accounting Standards;
- Disclosures in respect of compensation of key management personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

No profit or loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Going Concern

The financial statements have been prepared on a going concern basis. Management have reviewed business activities, together with factors likely to affect its future development and performance, as well the as VMED O2 UK Limited's principal risks and uncertainties. We have concluded that it is appropriate to adopt the going concern basis having undertaken a rigorous assessment of the financial forecasts, with specific consideration of the trading position of the Group in the context of the current global economic environment, and the industrial relations landscape in relation to the UK business, for the reasons as set out below.

At 31 December 2023, the Group had net current liabilities of £3,329.6 million and net assets of £13,667.3 million. Liquidity available as at the reporting date was £2,324.9 million (excl. CTIL unused borrowing capacity), made up of cash and cash equivalents of £875.6 million and unused borrowing capacity in the VMED O2 Credit Facilities of £1,449.3 million. At 31 December 2023, based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests £1,449.3 million of unused borrowing capacity was available to be borrowed and there were no restrictions on our ability to make loans or distributions from this.

We have considered the Group's key liquidity events and maturity of the Group's debt in the next 12 months, of which the vendor financing obligations (see note 15) are considered to remain appropriate in relation to business-as-usual activities.

Forecasts and projections, which take into account for reasonably possible downsides in trading performance, are prepared for the Group as a whole. Operating free cash flow reduced by 10%, and not considering the uncommitted revolving credit facility still resulted in sufficient funds to continue to meet our liabilities as they fall due for at least 12 months from the date of approval of these financial statements, and consequently we have prepared the financial statements on a going concern basis.

Treasury operations and cash management for all VMED O2's wholly owned subsidiaries are managed on a group basis, including regular cash flow forecasts for both short and long-term commitments.

Taking into account these forecasts and projections, and after making suitable enquiries and obtaining the necessary assurances, we have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future.

Investment in Subsidiaries
Investments are recorded at cost, less provision for impairment as appropriate. The Company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, the Company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. A previously recognised impairment loss is reversed only if there was an event not foreseen in the original impairment calculations, such as a change in use of the investment or a change in economic conditions. The reversal of impairment loss would be to the extent of the lower of the recoverable amount and the carrying amount that would have been determined had no impairment loss been recognised for the investment in prior years.

Cash and Cash Equivalents and Restricted Cash
Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value.

Restricted cash consists of cash held in restricted accounts, including cash held in escrow related to our NTL pension plan. All other cash that is restricted to a specific use is classified as current or non-current based on the expected timing of the disbursement.

Non-Derivative Financial Instruments
Cash and cash equivalents, current trade and other receivables, current related-party receivables and payables, certain other current assets, accounts payable, certain accrued liabilities and value-added taxes (VAT) payable represent financial instruments that are initially recognised at fair value and subsequently carried at amortised cost. Due to their relatively short maturities, the carrying values of these financial instruments approximate their respective fair values.

Loans and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such loans and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

We initially recognise loans and receivables on the date they are originated. All other financial assets (including assets designated as fair value through the statement of profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

We derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

We initially recognise debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

We derecognise a financial liability when its contractual obligations are discharged, cancelled or expired.

Estimates and Judgements
In preparing these financial statements, management has made estimates and judgements that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Carrying Value of Investments
Investments are held at cost less any necessary provision for impairment. Where the impairment assessment did not provide any indication of impairment, no provision is required. If any such indications exist, the carrying value of an investment is written down to its recoverable amount.

The determination of the recoverable amount, being the higher of the value-in-use and fair value less costs of disposal, is judgemental. The details of the judgement used in determining the value-in-use are included in the group accounting policy and discussed further within note 11 to the consolidated financial statements.

(3) Profit Attributable to Members of the Company
The Company's net loss for the years ended 31 December 2023 and 2022 was £566.7 million and £328.5 million, respectively.

(4) Auditor's and Directors' Remuneration
Fees paid to the auditor for services to the Company itself are not disclosed in the company financial statements, as the consolidated financial statements disclose such fees on a consolidated basis.

The directors received no remuneration for qualifying services as directors of the Company. All Directors' remuneration is paid and disclosed in the Consolidated Financial Statements.

(5) Dividends Paid

	31 December			
	2023		2022	
	in millions		in millions	
Dividends paid	**£**	**2,000.0**	£	1,600.0

The Company paid cash dividends of £325.0 million, £325.0 million, £675.0 million and £675.0 million on 21 March, 9 June, 28 September and 20 December 2023, respectively.

In 2022, the Company paid cash dividends of £250.0 million, £580.0 million and £770.0 million on 30 June 2022, 29 September and 21 December 2022, respectively.

(6) Investments in Subsidiaries

The details of our investments for the indicated periods are as follows (in millions):

1 January 2022	£	20,559.8
Disposals		—
31 December 2022		**20,559.8**
31 December 2023	**£**	**20,559.8**

As at 31 December 2023, the Company owned 100% of the share capital of VMED O2 UK Holdings Limited, which was its sole direct investment.

On 21 October 2022, the Company disposed of 100% of the ordinary share capital of Virgin Media Networks Limited for £4, making a £3 profit on disposal.

In the opinion of the Directors, the aggregate value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the financial statements.

(7) Debtors

The details of our trade receivables and other assets are set forth below:

	31 December			
	2023		2022	
	in millions		in millions	
Due after one year:				
Amounts owed by Group undertakings	£	90.0	£	93.8
Due within one year:				
Amounts owed by related parties		14.9		—
Amounts owed by Group undertakings		7.6		23.2
Other debtors		4.3		—
Total	**£**	**26.8**	**£**	**23.2**

The details of amounts owed by Group undertakings are as follows:

	31 December			
	2023		2022	
	in millions		in millions	
Loans advanced to Group undertakings [a]	£	8.8	£	25.2
Other amounts owed by Group undertakings [b]		88.8		91.8
Total	**£**	**97.6**	**£**	**117.0**

(a) Loans advanced to Group undertakings falling due after one year include notes receivable due from Virgin Media Mobile Finance Limited, which had a carrying value of £8.8 million (2022 - £25.2 million). Loan notes are denominated in sterling, bear interest at a rate of 4.36% and mature in 2025.

(b) Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

(8) Creditors

The details of our trade payables and other liabilities are set forth below:

	31 December			
		2023 in millions		2022 in millions
Due after one year:				
Amounts owed to Group undertakings	£	13,539.5	£	10,807.4
Amounts owed to related parties		80.3		68.0
Total	**£**	**13,619.8**	**£**	**10,875.4**
Due within one year:				
Amounts owed to Group undertakings	£	65.2	£	21.4
Amounts owed to related parties		15.3		50.4
Total	**£**	**80.5**	**£**	**71.8**

The details of amounts owed to Group undertakings are as follows:

	31 December			
		2023 in millions		2022 in millions
Due after one year:				
Loans advanced by Group undertakings [a]	£	12,899.9	£	10,791.9
Other amounts owed to Group undertakings [c]		639.6		15.5
Total	**£**	**13,539.5**	**£**	**10,807.4**
Due within one year:				
Loans advanced by Group undertakings [b]	£	12.2	£	11.9
Other amounts owed to Group undertakings [c]		53.0		9.5
Total	**£**	**65.2**	**£**	**21.4**

(a) Amounts owed to Group undertakings falling due after one year represent:
- Notes payable owed to Virgin Media Finco 2 Limited, which bear interest at a rate of 8.360% (subject to adjustment), mature on 16 July 2025 and had a carrying value of £4,287.2 million and £5,394.6 million as of 31 December 2023 and 2022, respectively;
- Notes payable owed to VMED O2 UK Holdco 4 Limited, which bear interest at a rate of 4.795% (subject to adjustment), mature on 17 May 2030 and had a carrying value of £8,605.3 million and £5,389.4 million as of 31 December 2023 and 2022, respectively; and
- Notes payable owed to VMED O2 UK Holdings Limited, which bear interest at a rate of 4.21%, mature on 9 March 2028 and had a carrying value of £7.4 million and £7.9 million as of 31 December 2023 and 2022, respectively.

(b) Amounts owed to Group undertakings falling due within one year represent:
- Notes payable owed to Virgin Media, which bear interest at a rate of 7.875%, mature on 15 April 2024 and had a carrying value of $15.6 million and $14.4 million as of 31 December 2023 and 2022, respectively. On the 15th of April 2024, the maturity of this note was extended to 15 April 2025.

(c) Other amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

(9) Capital and Reserves

Ordinary Shares

	31 December	
	2023	2022
Called up, allotted and fully paid:		
Ordinary shares of £1 each	12	12

Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Retained earnings

Retained earnings records the Company's retained profit or loss.

(10) Guarantees

Fellow Group undertakings are party to a senior secured credit facility with a syndicate of banks. As of 31 December 2023, this comprised term facilities that amounted to £8,030.0 million (2022 - £7,501.0 million), of which £17.0 million (2022 - £650.0 million) was undrawn, and revolving credit facilities of £1,432.0 million (2022 - £1,378.0 million), which were undrawn as of 31 December 2023. Borrowings under the facilities are secured against the assets of certain members of the Group.

In addition, a fellow Group undertaking has issued senior secured notes which, subject to certain exceptions, share the same guarantees and security which have been granted in favour of the senior secured credit facility. The amount outstanding under the senior secured notes as of 31 December 2023 amounted to £8,067.0 million (2022 - £8,544.0 million). Borrowings under the notes are secured against the assets of certain members of the Group.

Furthermore, a fellow Group undertaking has issued senior notes for which certain fellow Group undertakings, have guaranteed the notes on a senior subordinated basis. The amount outstanding under the senior notes as of 31 December 2023 amounted to £1,158.0 million (2022 - £1,207.0 million).

(11) Principal Subsidiary Undertakings

For information regarding the Company's direct and indirect subsidiaries, see note 31 to the consolidated financial statements.

(12) Parent Undertaking and Controlling Party

The Company’s ultimate shareholders are Liberty Global Ltd (formerly Liberty Global plc) and Telefónica, SA, with each indirectly holding 50% of the issued share capital.

Company Information

Directors
L Abasolo García de Baquedano
C H R Bracken
P A Erskine
M T Fries
E Rodriguez
A V Salvato
Á Vilá Boix
J M Álvarez-Pallete López

Company Secretary
E Medina Malo

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